

Louisiana Department of Insurance

2003 - 2004

Annual  
Report



J. Robert Wooley  
Commissioner of Insurance

**LOUISIANA DEPARTMENT OF INSURANCE**

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# 2003-2004

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## ANNUAL REPORT OF THE COMMISSIONER OF INSURANCE STATE OF LOUISIANA

*Data compiled from Department of Insurance records and annual statements of insurers transacting business in the state of Louisiana during the fiscal year ending June 30, 2004.*

**FISCAL YEAR BEGINNING JULY 1, 2003  
ENDING JUNE 30, 2004**

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J. ROBERT WOOLEY, COMMISSIONER OF INSURANCE



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**This report is available on the Louisiana Department of Insurance Web site at  
[http://www.ldi.state.la.us/public\\_affairs/AnnualReport03-04.pdf](http://www.ldi.state.la.us/public_affairs/AnnualReport03-04.pdf)**



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The Honorable Kathleen Babineaux Blanco, Governor  
The Honorable Donald E. Hines, President of the Louisiana Senate  
The Honorable Joe R. Salter, Speaker of the Louisiana House of Representatives  
The Honorable James David Cain, Chairman, Senate Committee on Insurance  
The Honorable Karen R. Carter, Chairman, House of Representatives Committee on Insurance  
Members of the Louisiana Senate and House of Representatives Committees on Insurance

I am pleased to submit the *2003-2004 Annual Report* of the Louisiana Department of Insurance to the Louisiana Legislature for the fiscal year beginning July 1, 2003, and ending June 30, 2004, in compliance with R.S. 36§682.B(5).

Under same cover, I respectfully submit the *2003-2004 Annual Consumer Complaint Reports*, the *2003-2004 Office of Minority Affairs Annual Report* and the *2003-2004 Annual Report* of the Louisiana Property and Casualty Insurance Commission as required by R.S. 22§1219, R.S. 22§1921(5) and R.S. 22§15 respectively, to be submitted to the Senate and House of Representatives committees on insurance. The reporting period is for the fiscal year beginning July 1, 2003, and ending June 30, 2004.

In compliance with R.S. 24§772, a printed copy of this report is being filed with the presiding officers of each house of the legislature. In addition, an electronic copy and five printed copies are being filed with the David R. Poynter Legislative Research Library. This report is also available on the Louisiana Department of Insurance Web site link at [http://www.ldi.state.la.us/public\\_affairs/AnnualReport03-04.pdf](http://www.ldi.state.la.us/public_affairs/AnnualReport03-04.pdf).

The purpose of this report is to disseminate information pertaining to the operations of the Louisiana Department of Insurance, the disposition of consumer insurance complaints, the activities of the Office of Minority Affairs and the activities of the Louisiana Property and Casualty Insurance Commission, as required by state law. Also, I think you will find the report an excellent reference resource of information regarding the extensive duties and responsibilities of regulating the business of insurance while serving and protecting all of the citizens of Louisiana.

If you need assistance from my office at any time or have any questions about the affairs of the Louisiana Department of Insurance, I will be happy to respond.

With kindest regards,

J. Robert Wooley  
Commissioner of Insurance

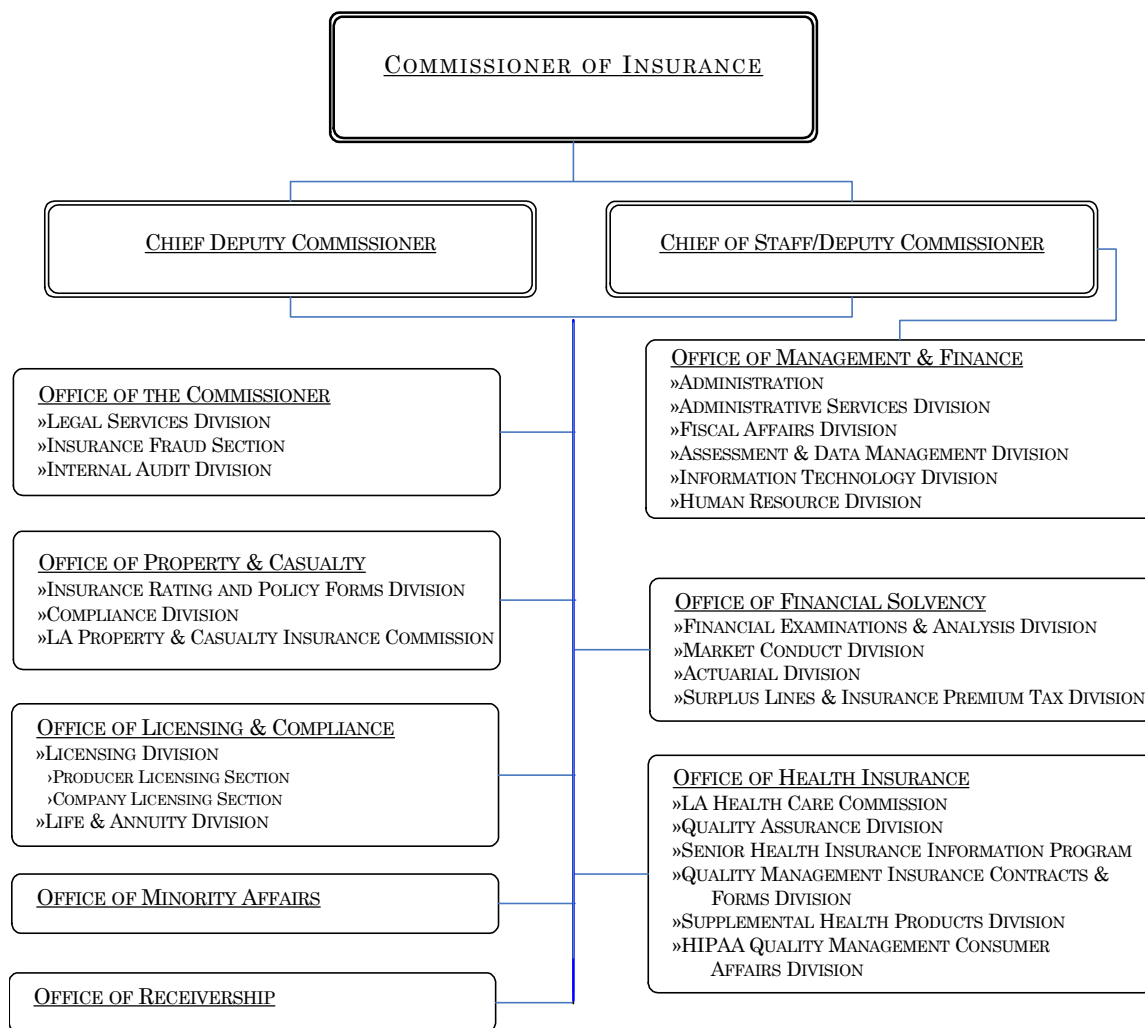
# DEPARTMENT OF INSURANCE

## MISSION STATEMENT

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The mission of the Department of Insurance is to enforce the insurance laws and regulations of the state impartially, honestly and expeditiously. To this end, the highest ethical, professional and work quality standards will be exercised in all formal and informal relationships with individuals, agencies and companies affected by the policies and actions of the Department. It is the Department's commitment to be the best insurance regulatory agency in the United States.

AGENCY ORGANIZATION CHART  
AS OF JUNE 30, 2004



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# **2003-2004**

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## **OFFICE OF THE COMMISSIONER**

**LOUISIANA DEPARTMENT OF INSURANCE**

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# OFFICE OF THE COMMISSIONER

## DIVISION OF LEGAL SERVICES

### RESPONSIBILITIES AND ACTIVITIES

The division of legal services in the Department of Insurance was created by R.S. 36§689 and is under the direction of the executive counsel. The division of legal services of the office of the commissioner, serves as the legal counsel and enforcement arm of the Department of Insurance. Its functions include interpreting laws, regulations and directives; preparing and monitoring legislation; representing the department in litigation before federal and state courts; enforcing insurance regulatory law in administrative hearings; and reviewing policy forms. It also serves as a liaison between the department and other government departments, agencies and commissions, insurance companies, producers and consumers. Consumer protection and health issues were the two major concerns of legal services during the 2003-2004 Fiscal Year.

### ADMINISTRATIVE HEARING LITIGATION REPORT

In FY2003-2004, the Litigation Report of the Division of Legal Services tracked approximately 229 entries relating to legal representation of the Department of Insurance in its enforcement and regulatory capacity. Each attorney works closely with different department offices/divisions to, for example, revoke certificates of authority; cite companies for failure to meet statutory deposits and failure to file reports timely to financial solvency; and represent the licensing division in matters such as mergers and acquisitions, misappropriations, misrepresentations and failure to pay taxes, fines or assessments. See Table 1 below for details.

**TABLE 1**

#### **TYPES OF LEGAL ISSUES/ADMINISTRATIVE HEARINGS**

Bail Bond Forfeitures	8
Cease & Desist Orders	32
Misappropriations	15
Unlicensed/Unauthorized Agents or Companies	3
Failure to Pay Taxes, Fines or Assessments	14
Revoking Certificate of Authority	11
Misrepresentations	2
Other	38

## **FINES COLLECTED**

Staff attorneys serve as prosecutors and fine collectors for law violations in the legal issues hearings listed above. The division assisted the commissioner in collecting \$78,019 in fines.

In addition to its regular legal duties, the department is mandated by R.S. 22§658.1 to assist district attorneys in collection of bail bond forfeitures, without additional budgetary support. Department attorneys prosecuted eight bail bond forfeiture cases.

## **FY2003-2004 RULES, REGULATIONS, DIRECTIVES & OPINIONS**

In addition to administrative hearings, other key responsibilities center on legislation, regulatory policies and opinions. Lists of directives issued and rules and regulations promulgated in FY2003-2004 follow:

### **A. FY2003-2004 RULES, REGULATIONS, DIRECTIVES:**

Directive 179: Issued: November 20, 2003	Individual Health Insurance – Good Health Classification Factor
Directive 180: Issued: April 13, 2004	Policy Forms and Marketing Practices, Insurable Interest
Directive 180: Issued: May 28, 2004	Addendum to Prior Directive
Directive 181: Issued: March 10, 2004	Credit Information Reporting Requirement – Personal Lines Only; Withdrawal of LIRC Directive 2003-02
Directive 182: Issued: February 2, 2004 Rescinded: August 30, 2004	Policy Forms – Applicability of R.S. 22§1513(C)(2)(b)

## OFFICE OF THE COMMISSIONER...

### LEGAL SERVICES DIVISION...

#### **B. FY2003-2004 POLICY OPINIONS/LEGAL OPINIONS/ADVICE**

Attorneys in the division of legal services are frequently asked to provide formal and informal legal opinions for the public, the insurance industry, other regulators and department personnel. Approximately 13 formal opinions and/or instance of giving legal advice were issued on the following subjects during this fiscal period.

LA-03-13 Issued: July 26, 2002	Property and Casualty Contract Language
LA-03-14: Issued: August 20, 2003	Cancellations – Acts of God
LA-03-15: Issued: August 25, 2003	Procedures for reviewing and acting upon items submitted under Flex-Rating System
LA-03-16: Issued: August 1, 2002	The effect of a legal holiday on a tax due date
LA-03-17: Issued: October 15, 2003	LIRC filing for Progressive Paloverde
LA-03-18: Issued: November 13, 2003	Corporate Owned Life Insurance (COLI)
LA-03-19: Issued: December 23, 2003 August 1, 2002	Flex-Band Rating Actuarial Disapproval Order
LA-03-20: Issued: December 30, 2003	Automotive Direct Repair Networks
LA-03-21: Issued: January 9, 2004	Dental Insurance – Freedom of Choice & Reimbursement Issues

**B. FY2003-2004 POLICY OPINIONS/LEGAL OPINIONS/ADVICE**

LA-03-22: GAP Insurers and Rental Reimbursement  
Issued: September 8, 2003

LA-03-23: Ethical considerations relative to promoting  
Issued: January 9, 2004 a board member of a insurance corporation  
to the CEO of the same insurance  
corporation

LA-04-01: How differing “dismissals” and/or “pardons”  
Issued: January 27, 2004 affect the licensing of felons

LA-04-02: Emergency Medical Services  
Issued: May 15, 2003

**C. FY2003-2004 BULLETINS**

B-03-04: Health Insurance Portability and  
Issued: October 24, 2003 Accountability Act – Transaction and Code  
Set Standards

# INSURANCE FRAUD SECTION

## PURPOSE

The insurance fraud section investigates all forms of suspected insurance fraud:

- » Claims fraud
- » Producer (agent) fraud, including bail bond agents and bail enforcement agents
- » Company Fraud, including fraud committed by a company or fraud committed against a company (insider fraud)
- » Provider fraud, which includes doctors, attorneys, body shops, pharmacies or any person or entity laying a role in the insurance process

Investigators work closely with the various Department of Insurance offices and divisions across the nation, as well as the insurance fraud units of the State Police, the Attorney General's Office, local and federal law enforcement officers, prosecutors, insurance company personnel, insurance agencies and the general public in its mission to reduce fraud in our state. The insurance fraud unit places emphasis on:

- » Investigating suspected fraudulent claim reports and working closely with the respective law enforcement agencies and prosecutors' offices for the successful prosecution of individual involved in fraudulent activities.
- » Investigating insurance producers and companies suspected of engaging in fraudulent practices and working with the respective law enforcement agencies and prosecutors' offices for the successful prosecution of individuals involved in fraudulent activities.
- » Working with the legal division to take administrative action in conjunction with the criminal investigation and subsequent prosecution of individuals involved in fraudulent activities.
- » Performing background investigations on companies, individuals and other entities seeking to conduct the business of insurance in Louisiana.

In 1999, legislation was passed that created an assessment on insurance company premiums to provide funding in order to combat insurance fraud. The use of these funds was designated for the creation of the insurance fraud units within the Office of State Police and the Office of the Attorney General and for additional assistance to the existing insurance fraud unit of the Department of Insurance.



The fraud units of the three agencies work closely as a task force, each playing a vital part in the process, from preliminary investigation and criminal referral to arrest and prosecution. The combined strengths of three fraud units provide greater ability for success than was previously possible in the detection and successful prosecution of insurance fraud related activities.

Any law enforcement authority may investigate insurance fraud, but the majority of cases are channeled through the State Police insurance fraud investigation unit. When local authorities elect to pursue insurance fraud cases, the Department of Insurance works with them lending its experience and expertise, as well as acting as an informal liaison between the local law enforcement authority and the State Police insurance fraud investigation unit.

Similarly, local authorities may prosecute cases of insurance fraud but often lack the resources or expertise. In such cases, they may defer to or request assistance from the Attorney General's insurance fraud support unit.

## **CLAIMS FRAUD**

During FY2003-2004, the insurance fraud unit database of suspected fraudulent claims contained over 6,400 entries. The majority of these claims were received from insurance companies in accordance with R.S. 22§1245. In addition, the department's insurance fraud unit received 1,552 reports of *suspected fraudulent claims* during this fiscal year.

The database is vital to the operations of the insurance fraud unit because it provides the ability to determine patterns of numerous suspicious claims made by an individual to different insurance companies which involve specific medical providers, attorneys, claimants and/or personnel inside insurance companies participating in large, complex schemes.

Exaggerated loss statements are typically the most frequently reported suspected fraudulent claims. There are various ways to initiate exaggerated loss statements. These include:

- » Claiming items were burglarized or destroyed in a home when in fact the items were never in the home or were actually not stolen or destroyed.
- » Claiming damage to a vehicle from an automobile accident when the damage actually occurred prior to the accident.
- » Claiming greater and more prolonged severity of a physical injury than actually occurred.

Other examples of fraudulent claims include staged accidents (i.e., planned incidents that are made to appear to be, and are claimed by the participants to be, "accidents" involving some type of loss), provider fraud and medical/healthcare fraud.

## OFFICE OF THE COMMISSIONER...

### INSURANCE FRAUD SECTION...

The additional staff provided by the fraud assessment has enabled the insurance fraud unit to initiate and conduct preliminary investigations of suspected fraudulent claim reports. After a review of the report and a preliminary investigation involving multiple databases and information obtained from insurance companies, other agencies and their producers, individuals involved in the claim and other resources, it may be determined that a criminal referral should be made to the State Police insurance fraud investigation unit.

The insurance fraud unit made 190 criminal referrals involving claims fraud to the State Police insurance fraud unit during this fiscal year. This is a 135% increase over the previous fiscal year. One hundred nine (109) of these referrals related to organized-ring activity.

Louisiana law (R.S. 22§1245 and 40§1424) requires the reporting of all cases of suspected fraudulent claims to the Department of Insurance fraud unit. Suspected fraudulent claim report forms are now available online to allow expanded communications with both insurance companies and the general public and to allow anonymous reporting while increasing efficiency and public awareness of the insurance fraud unit.

## PRODUCER AND COMPANY FRAUD

Investigations of producers and companies may involve misrepresentation; misappropriation of funds belonging to the policyholder, premium finance company or insurer; unlicensed and/or unauthorized entities; and fraudulent insurance identification cards or certificates of insurance.

The single greatest producer fraud activity from an administrative perspective continues to be the misappropriation of funds from a policyholder. Because these funds go unreported to an insurance company or premium finance company, counterfeit insurance identification cards and certificates of insurance are also involved.

**TABLE 2** **ACTIONS TAKEN REGARDING  
PRODUCER AND COMPANY FRAUD**

Number of Investigations Opened	625
Cease & Desist Orders and/or Summary Suspensions Served	27
Notices Served	17
Walk-Ins on Agencies/Producers/ Companies for Suspected Fraud	19
Administrative Hearings Requested	6
Criminal Referrals Made to Law Enforcement	42
Arrests Made as a Result of Criminal Referrals	19

## OFFICE OF THE COMMISSIONER...

Investigations include the compilation, research and analysis of information regarding the producers and companies obtained by the unit from consumer complaints, producers, companies, other insurance department offices and additional sources. A detailed analysis is done to determine if sufficient evidence exists to justify department action and /or criminal referral. Investigators work closely with law enforcement during on-site investigations of fraudulent activity and gathering of additional evidence.

There were 19 arrests for numerous crimes during the 2003-2004 Fiscal Year as a result of criminal referrals from the insurance fraud section. Those arrests are categorized in Table 3.

**INSURANCE FRAUD ARRESTS BY CATEGORY**

**TABLE 3**

<i>Category</i>	<i>% Of Crimes</i>	<i>No. Of Charges</i>
Insurance Fraud	42	25
Felony Theft	15	9
False Public Records	10	6
Forgery	10	6
Conspiracy	8	5
Federal Charges	5	3
Attempted Theft	3	2
Misappropriation	2	1
Money Laundering	2	1
Unfair Trade Practices	2	1

## INSURANCE FRAUD PREVENTION

The insurance fraud section plays a critical role in insurance fraud prevention. The two key components are educating the public and conducting extensive background investigations.

### EDUCATION

The section's efforts in the area of education include press releases, brochures, increased online presence and speaking before various groups and organizations regarding insurance fraud.

**BACKGROUND INVESTIGATIONS**

Part of the duties and responsibilities of the fraud unit is to investigate the backgrounds of companies, officers, directors, MNROs (Medical Necessity Review Organizations) and other entities applying to conduct the business of insurance in Louisiana. This includes changes of officers and directors of domestic companies currently authorized to do business in the state.

Contacts utilized to conduct background investigations include, but not limited to:

- » U.S. Attorneys
- » District Attorneys
- » FBI and other federal enforcement agencies
- » Other state law enforcement agencies nationwide
- » Other state insurance regulatory agencies nationwide
- » Federal and state agencies involved in the regulation of securities
- » Professional licensing boards in all states, nationally and internationally
- » Professional associations and organizations at all levels
- » Other regulatory agencies depending on the background of the entity involved
- » Fraud prevention and detections organizations such as NICB (National Insurance Crime Bureau), IAIFA (International Association of Insurance Fraud Agencies), IASIU (International Association of Special Investigative Units), as well as the vast resources of NAIC (National Association of Insurance Commissioners)

During the course of investigating insurance related entities and individuals, it often becomes necessary to establish communications with regulatory, judicial and law enforcement agencies on interstate, national and international levels. The scope of an investigation frequently becomes extensive when derogatory information is discovered.

Table 4 outlines applications completed by the fraud unit for the fiscal year ended June 30, 2004.

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**BACKGROUND INVESTIGATIONS COMPLETED**

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**TABLE 4**

<i>Description</i>	<i>Number</i>
Company Applications Received	300
Company Applications Approved	284
Company Biographical Affidavits Received	1,810
Company Biographical Affidavits Approved	1,801

The insurance fraud section also investigates and reviews all applications for written consent in accordance with federal law, 18 U.S.C. §1033, which requires that anyone who has been convicted of certain felonies apply for and be granted written consent from the commissioner of insurance in order to participate in the business of insurance in any way.

## INTERNAL AUDIT DIVISION

The internal audit division, established in 1992, reports to the commissioner of insurance through the chief deputy commissioner. Its major function is to assist management by identifying weaknesses and deficiencies in departmental operations and to make recommendations for necessary corrective actions. This division also performs special projects, as assigned by the commissioner, and special reviews as requested by division managers.

In order to carry out the duties assigned to the division, the internal audit staff has full, free and unrestricted access to all departmental activities, records, property and personnel. Goals of the division include continuing the education and professional training of its staff; conducting effective and timely audits of department offices, divisions, sections and units including the production of audit reports with appropriate constructive criticism; and eliminating the number of repeat findings in annual audit reports of the Department of Insurance by the state's legislative auditor.

The audit schedule includes follow-up visits to areas previously audited to ensure that corrective actions are being taken to avoid continuance of weaknesses or deficiencies identified in audit findings.

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# **2003-2004**

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## **OFFICE OF MANAGEMENT & FINANCE**

### **LOUISIANA DEPARTMENT OF INSURANCE**

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# OFFICE OF MANAGEMENT & FINANCE

Management and Finance has six divisions that oversee the day-to-day operations of the department:

- » Administration
- » Administrative Services
- » Fiscal Affairs
- » Assessment and Data Management
- » Information Technology
- » Human Resources

## ADMINISTRATION

Administration handles all of the department's professional services contracts and coordinates the interdivisional functions of the office of management and finance.

## ADMINISTRATIVE SERVICES DIVISION

The administrative services division was formed in 1997 to improve the provision of necessary support services to employees of the Department of Insurance. All services are performed or provided in accordance with state laws, rules, regulations and department procedures and policies. Following is a summary of the sections assigned to the division and a brief description of each.

### **MAIL ROOM**

Handles all mail and messenger service, maintenance of the agency's automobiles, maintenance of office supply inventory and distribution of supplies, maintenance and repair of photocopiers and other large equipment.

### **PURCHASING**

Procures stock and special supplies, equipment, furniture and printing services by using ISIS and/or obtaining bids according to state law and purchasing rules and regulations.



## **OFFICE OF MANAGEMENT & FINANCE...**

### **BUILDING SERVICES**

Coordinates routine maintenance and repair of the Poydras Building (Department of Insurance) by an on-site employee of State Buildings and Grounds. Items requiring special skills or outside vendors are coordinated by the administrative manager of the administrative services section, working with state buildings and grounds personnel or outside vendors.

### **TELECOMMUNICATION SERVICES**

Manages and processes all telephone services including local and long distance, voice mail, pagers, agency/individual state calling card requests in conjunction with the office of telecommunications management (OTM) and provides wiring and repair services when needed.

### **PROPERTY CONTROL AND PHYSICAL INVENTORY**

Manages the records of items purchased by the agency and tagging of items as required by law. Prepares and submits monthly reports of acquisitions and items sent to surplus to the fiscal affairs division of the department. An annual physical inventory certification report is completed in June and submitted to the Louisiana Property Assistance Agency.

### **PROFESSIONAL SERVICES CONTRACTS**

Reviews and verifies all professional services contracts to assure they are processed in accordance with agency policies and procedures and within the laws, rules and regulations of the state. The deputy commissioner of the office of management and finance is responsible for seeing that all contracts are processed properly; therefore, the administrative manager works closely with the deputy commissioner to ensure accuracy in all areas.

### **FILE ROOM**

Processes requests for copies of public information. Gives consumers the ratings, financial status, addresses, telephone numbers and agent for service on insurance companies. Receives and enters information from insurers' quarterly statements plus all information from the annual statements that are received at the beginning of each year. Files all correspondence or information that pertains to insurance companies licensed to do business in Louisiana. Processes requests for certified copies and prints invoices for all copy requests.

## FISCAL AFFAIRS DIVISION

The fiscal affairs division manages and protects the Department of Insurance's real and monetary assets as well as being one of the top four revenue sources for Louisiana. Fiscal affairs oversees the collection of examination fees and is responsible for budgeting, statutory deposits, accounts payable and accounts receivable.

For the year ended June 30, 2004, the Department of Insurance receipts totaled **\$273.5 million**. Insurance Premium Taxes represents the largest portion at 73.2%, or \$200.3 million. In addition to the Insurance Premium Taxes, the department collections include Pension Fund Assessments at 14.3%, or \$39.2 million; Regulatory Fees and Licenses at 11.1%, or \$30.4 million; and the Insurance Fraud Assessment at 1.0%, or \$2.7 million.

Insurance Premium Taxes, Pension Fund Assessments, Insurance Fraud Assessment<sup>1</sup> (excluding LDOI portion - \$298,997) and Income Not Available represent the **bulk of collections at 88.4%, or \$241.9 million, and are not used to finance the department's operations.**

The remaining 11.6% or \$31.6 million, is a combination of Regulatory Fees and Licenses, Health Insurance Portability and Accountability Act (HIPAA) Assessment, Federal Grant (SHIP) and Insurance Fraud Assessment (LDOI portion only - \$298,997) which are used to finance the operations of the Department of Insurance.

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<sup>1</sup> The Department of Insurance portion of the insurance fraud assessment is comprised of the first \$30,000 collected (retained to defray collection costs) plus 10% of total remaining assessment.

### **TOTAL DEPARTMENT FUND SOURCES**

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INSURANCE PREMIUM TAXES	73.21%	\$200,255,177
PENSION FUND ASSESSMENTS	14.32%	\$39,167,810
REGULATORY FEES AND LICENSES	11.10%	\$30,356,414
INSURANCE FRAUD ASSESSMENT	0.99%	\$2,719,969
HIPAA	0.27%	\$746,491
FEDERAL GRANT (SHIP)	0.08%	\$221,536
INCOME NOT AVAILABLE	0.03%	\$75,682

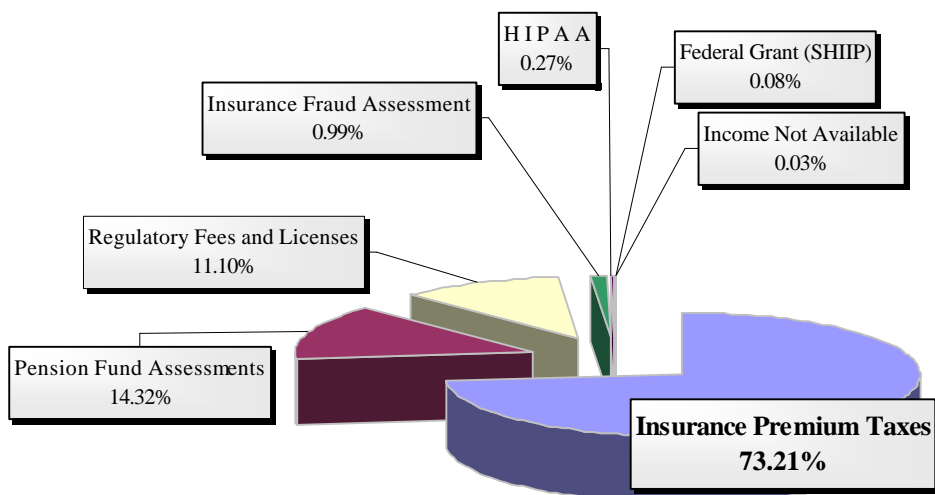
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<b>TOTAL</b>		<b>\$273,543,079</b>
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**TOTAL DEPARTMENT  
FUND SOURCES**

**CHART 1**



## OFFICE OF MANAGEMENT & FINANCE...

### FISCAL AFFAIRS DIVISION...

#### **TOTAL DEPARTMENT COLLECTION OF FUNDS**

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GENERAL FUND	73.23%	\$200,330,859
MUNICIPAL POLICE RETIREMENT/ FIREFIGHTERS' RETIREMENT/ SHERIFFS' PENSION & RELIEF FUND	13.85%	\$37,885,128
DEPARTMENT OPERATING EXPENSES	11.10%	\$30,356,414
MUNICIPAL FIRE & POLICE		
CIVIL SERVICE	0.47%	\$1,282,682
HIPAA	0.27%	\$746,491
FEDERAL GRANT (SHIIP)	0.08%	\$221,536
FRAUD ASSESSMENT:		
DEPT. OF PUBLIC SAFETY	0.74%	\$2,017,477
DEPT. OF JUSTICE	0.15%	\$403,495
DEPT. OF INSURANCE	0.11%	\$298,997

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<b>TOTAL</b>		<b>\$273,543,079</b>
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The majority of funds collected by the Department of Insurance were deposited to the State Treasurer's Office for use as general fund dedicated programs.

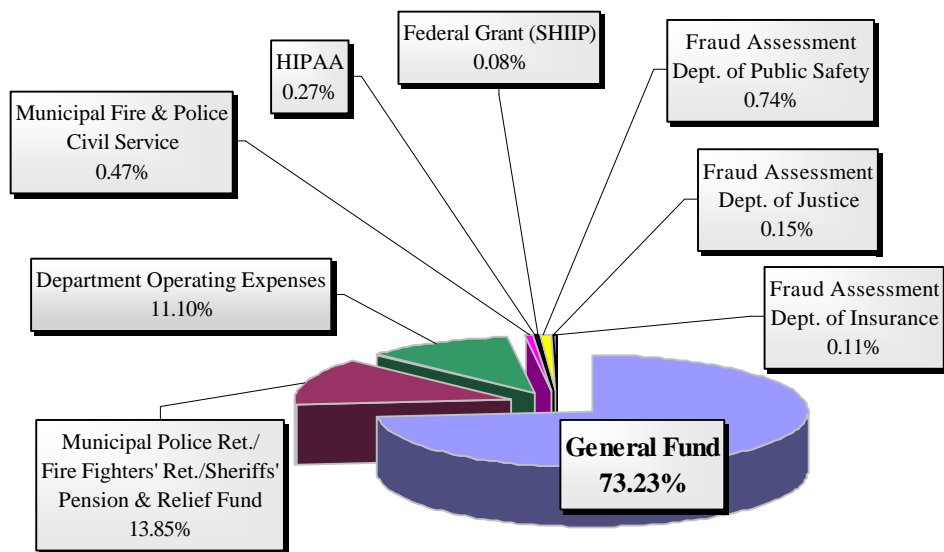
**Of the \$273.5 million collected in FY03/04, \$200.3 million went to the state general fund and \$73.2 million was used to finance programs.** Among the dedicated programs receiving funding were various law enforcement and firefighter retirement programs which received \$37.9 million and Municipal Fire and Police Civil Service which received \$1.3 million of the total funds collected.

The remaining collections of \$31.6 million represent a combination of regulatory fees and licenses, a federal grant and statutorily dedicated funds used by the department as its operating source.

The total collection for the Insurance Fraud Assessment is divided between the Department of Public Safety (75%), the Department of Justice (15%) and the Department of Insurance (10%). Prior to making the allocations specified, the commissioner of insurance is authorized to withhold the sum of \$30,000 to defray the cost of collecting the assessment.

**TOTAL DEPARTMENT  
COLLECTION OF FUNDS**

**CHART 2**



# OFFICE OF MANAGEMENT & FINANCE...

FISCAL AFFAIRS DIVISION...

**TABLE 5**

## STATEMENT OF REVENUES & EXPENDITURES FISCAL YEAR ENDED JUNE 30, 2004

REVENUES	
<b>Revenues</b>	
Insurance Premium Taxes	\$200,255,177
Pension Fund Assessments	39,167,810
Regulatory Fees and Licenses	30,356,414
*Self-Generated Fees – Carry forward from fiscal year 2002-2003	146,108
Insurance Fraud Assessment	2,719,969
HIPAA (Health Insurance Portability and Accountability Act)	746,491
*HIPAA – Carry forward from fiscal year 2002-2003	296,028
Federal Grant SHIIP (Senior Health Insurance Information Program)	221,536
Income Not Available	75,682
<b>Total Revenues</b>	<b>\$273,985,215</b>
EXPENDITURES	
<b>Expenditures</b>	
Personal Services	\$15,149,276
Travel	603,340
Operating Services	1,746,676
Supplies	421,774
Professional Services	2,573,221
Other Charges	2,705
Capital Outlay	1,316,898
Interagency Transfers	2,226,883
<b>Total Expenditures</b>	<b>\$24,040,773</b>
TRANSFER OUT	
<b>Transfer Out</b>	
General Fund	\$200,330,859
Reversion to General Fund	7,512,254
Municipal Police Retirement/Firefighters' Retirement/ Sheriffs' Pension & Relief Fund	37,885,128
Municipal Fire & Police Civil Service	1,282,682
Insurance Fraud Assessment:	
Department of Public Safety	2,017,477
Department of Justice	403,495
Department of Insurance (excess revenue over budget)	3
<b>Total Transfer Out</b>	<b>\$249,431,898</b>
FUNDS CARRIED FORWARD INTO FISCAL YEAR 2004-2005	
<b>Funds Carried Forward</b>	
HIPAA (Health Insurance Portability and Accountability Act)	\$512,544
<b>Total Funds Carried Forward</b>	<b>\$512,544</b>

## **ASSESSMENT & DATA MANAGEMENT DIVISION**

The assessment and data management division receipts and batches all revenues received by the department through fees, fines, premium taxes, penalties and assessments. This division collects, maintains and prepares reports from statistical data provided by insurers and parish clerks of court and is responsible for classification of all revenues related to personal injury lawsuits, the various functions of producer and company licensing, property and casualty, health, life and annuity, administrative services, legal services and financial solvency. They classify all statutory deposits, receipts and fines; and invoice, collect and classify the annual LIRC, Insurance Fraud and HIPAA assessments.

All revenue is received in accordance with state laws and regulations and with department policies and procedures. It is the responsibility of this division to process and collect all revenue timely, process any associated documentation and audit all forms related to assessments for accuracy and invoice notification.

The Louisiana Legislature, insurance companies, brokers producers, LIRC, LIGA and the Second Injury Board use the data collected and reports prepared by this division. Data collected by the assessment and data management division forms the basis for assessments made by the LIRC, Louisiana Workers' Compensation Second Injury Board and Louisiana Insurance Guaranty Association (LIGA).

## **INFORMATION TECHNOLOGY DIVISION**

The mission of the information technology division (IT) is to provide support for all offices in the Department of Insurance regarding computer system development, computer systems operations, computer systems management, effective use of personal computers and general technical consulting for office automation.

The IT division achieves effectiveness by matching its objectives with the overall goals and objectives of the Department of Insurance. IT continually works with senior management and users to accomplish these objectives and to upgrade electronic information processing within the Department of Insurance.

At the operational level of the department, IT is generally seen as a tool for improving work efficiency. The primary activities of IT are collecting, storing and processing data, while developing and maintaining applications for other offices within the department. The IT division completed 3,826 service requests during the fiscal year ended June 30, 2004.

## **HUMAN RESOURCE DIVISION**

The human resource division is responsible for all personnel-related matters including:

- » Employee benefits (i.e., insurance, workers' compensation, unemployment compensation, retirement plan)
- » Recruitment, selection and placement of all employee classifications and evaluations (i.e., job descriptions, job evaluations, factor analyses)
- » Employee relations (i.e., grievances, employee counseling, EEO employee assistance program, drug testing)
- » Affirmative action, performance planning and review system, safety, discipline, and wage and salary administration

In addition, the human resource division is responsible for insuring compliance with Civil Service Rules and Regulations, as well as relative state and federal laws, such as Fair Labor Standards Act (FLSA), Family Medical Leave Act (FMLA) and Americans with Disabilities Act (ADA).

In the year ended June 30, 2004, the HR division processed approximately 741 separate personnel actions: 23 were promotional opportunities, 9 were retirements and approximately 20 were the result of reallocations.



# **2003-2004**

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## **OFFICE OF PROPERTY & CASUALTY**

### **LOUISIANA DEPARTMENT OF INSURANCE**

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# OFFICE OF PROPERTY & CASUALTY

The office of property and casualty consolidates the regulation of state and federal requirements applicable to commercial and personal lines of property and casualty insurance. This office provides protection to Louisiana consumers and determines whether enhancements or modifications are necessary to assure continued compliance and provide the public and forum for addressing major property and casualty issues facing the state. There are three divisions in operation:

- » Insurance Rating and Policy Forms
- » Compliance
- » Louisiana Property and Casualty Insurance Commission

The office of property and casualty has varying regulatory authority over both the admitted and surplus market, which exceeded \$7.2 billion in direct written premiums as of December 31, 2003.

## INSURANCE RATING AND POLICY FORMS DIVISION

Effective August 1, 2004, the insurance rating division and policy forms section were combined.

### INSURANCE RATING SECTION

The insurance rating section provides support to the Louisiana Insurance Rating Commission (LIRC). The LIRC as defined by R.S. 22§1401 through §1448 consists of seven members, six of whom shall be appointed by the governor and the seventh member shall be the commissioner of insurance. The commissioner of insurance, or his designee, acts as chairman at each monthly meeting. The six appointed members serve concurrently with the governor's term and must be reaffirmed every two years by the Senate.

Louisiana is a "prior approval"<sup>1 & 2</sup> state, meaning companies cannot change their property and casualty (P&C) rates or rules without first receiving approval by the office of property and casualty or the LIRC. It is the purpose of the office of property and casualty and the LIRC to see that all P&C rates and rules for admitted carriers are not excessive, inadequate or unfairly discriminatory. This is accomplished through:

- A. A monthly review of all initial rate and rule programs and all proposed rate and rule changes.
- B. Actuarial review of selected rate and rule filings.
- C. Generation of revenue through an assessment.

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<sup>1</sup> Act No. 351 (Regular Session, 2003, SB 721) revised R.S. 22§1401(J) to allow for an exception to the LIRC's "prior approval" when a filing meets certain flexible rating requirements. Act 351 became effective January 1, 2004.

<sup>2</sup> Act No. 878 (Regular Session, 2004, HB 1514) revised R.S. 22§1401(I) and enacted R.S. 22§1401.1 to allow a regime of rate deregulation for most lines of commercial insurance written on commercial entities whose annual premiums exceed ten thousand dollars, excluding workers' compensation and medical malpractice insurance unless the market is noncompetitive. Act No. 878 became effective January 1, 2005, and will be addressed in more detail by the *Louisiana Department of Insurance 2004-2005 Annual Report*.

The LIRC meets every third Wednesday of the month. The cut-off date for the LIRC agenda is the first Wednesday of the month at noon. At the monthly meeting, the LIRC, by majority vote, will approve, defer or disapprove each rate and/or rule filing. Tables 6, 7 and 8 summarize LIRC filing volume by year.

Table 6 shows the total number of filings reviewed by the LIRC during the last three fiscal years.

**NUMBER OF RATE/RULE FILINGS REVIEWED  
3-YEAR HISTORY**

**TABLE 6**

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<i>Fiscal Year</i>	<i>Total No. Of Filings</i>
07-01-2003 to 06-30-2004	1,451
07-01-2002 to 06-30-2003	2,202
07-01-2001 to 06-30-2002	1,742

The LIRC may approve a proposed rate or rule revision as submitted. If the rate request is found not to be actuarially justified, the LIRC can amend the requested percentage change. The filing company has 14 days to accept or reject the LIRC's amended percentage change.

The LIRC can defer a filing pending further study or pending receipt of the filing company's response to any questions generated by the LIRC.

If actuarial data does not support the proposed rate/rule change, or if the LIRC finds the proposed rate/rule not to be in the best interest of the public, the LIRC may vote to disapprove the rate/rule revision. This action means the rate/rule revision cannot be implemented.

A company can request that the Louisiana Insurance Rating Commission reconsider any action taken in regards to the company's rate or rule filing.

There may be some filings that are not received by the LIRC's agenda cut-off date. These are referred to as "add-ons." In this case, if there is a unanimous vote by the LIRC to add this item to the current agenda, it will be placed at the end of the regular order of agenda items under review for that month. It is the intent of the LIRC to keep add-ons to a minimum.

## OFFICE OF PROPERTY & CASUALTY...

### INSURANCE RATING AND POLICY FORMS DIVISION...

Table 7 displays the number of add-ons reviewed by the LIRC.

**TABLE 7** **AGENDA ADD-ONS**  
**3-YEAR HISTORY**

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<i>Fiscal Year</i>	<i>Total No. Of Add-Ons</i>
07-01-2003 to 06-30-2004	12
07-01-2002 to 06-30-2003	36
07-01-2001 to 06-30-2002	12

An initial filing is one filed by a company in Louisiana for the first time. Table 8 shows the number of initial filings reviewed by the insurance rating division and acted upon by the LIRC.

**TABLE 8** **NUMBER OF INITIAL RATE/RULE FILINGS REVIEWED**  
**3-YEAR HISTORY**

---

<i>Fiscal Year</i>	<i>Total No. Of Filings</i>
07-01-2003 to 06-30-2004	863
07-01-2002 to 06-30-2003	572
07-01-2001 to 06-30-2002	392

If a company fails to respond to a request for information or corrections to an approved insurance program from the insurance rating division within the 120-day time frame, the LIRC may issue an “order to show cause”. This order directs a company to remedy the cited concern within 10 days or run the risk of being fined up to a maximum of \$25,000 per offense. This action is authorized in accordance with R.S. 22§1447.

Table 9 displays the number of orders to show cause issued by the LIRC for the last three fiscal periods.

<b>ORDERS TO SHOW CAUSE 3-YEAR HISTORY</b>			<b>TABLE 9</b>
<i>Fiscal Year</i>	<i>No. Of Orders</i>	<i>Fines Issued</i>	
07-01-2003 to 06-30-2004	0	\$0	
07-01-2002 to 06-30-2003	0	\$0	
07-01-2001 to 06-30-2002	0	\$0	

The actuarial services department (a division of the office of financial solvency) reviews most rate filings. A written actuarial recommendation is provided to the LIRC and the office of property and casualty for all rate filings that involve Louisiana written premiums of at least \$250,000, all flexible rating rate filings and all commercial deregulation rate filings. If other rate or rule filings are found to contain unresolved actuarial issues or result in amended provisions, a written actuarial recommendation is also provided to the LIRC and the office of property and casualty. Under flexible rating, actuarial objectives are conveyed directly to the company by the issuance of an *order*.

Actuarial review may result in a company's filing being amended to a lesser or greater percentage change. Table 10 on the following page represents actions taken by the LIRC or the office of property and casualty on rate revision requests which the actuarial services department reviewed.

TABLE 10

**RATE FILING IMPACT  
3-YEAR HISTORY**

Line & Data Period	ALL	7/1/2003	to	6/30/2004	
<i>Filing Disposition</i>	<i>Number of Filings</i>	<i>% of All Filings</i>	<i>Requested \$ Impact ('000)</i>	<i>Approved \$ Impact ('000)</i>	<i>Savings/Cost \$ Impact ('000)</i>
Disapproved	152	21.9%	\$71,371	\$0	<b>\$71,371</b>
Approved	491	70.7%	\$200,404	\$180,283	<b>\$20,121</b>
<i>Amended Only</i>	24	3.5%	\$63,694	\$43,573	<b>\$20,121</b>
<i>All Other Approvals</i>	467	67.3%	\$136,710	\$136,710	<b>\$0</b>
Withdrawn	51	7.3%	\$15,578	\$0	<b>\$15,578</b>
<b>Totals</b>	<b>694</b>	<b>100.0%</b>	<b>\$287,353</b>	<b>\$180,283</b>	<b>\$107,070</b>

Line & Data Period	ALL	7/1/2002	to	6/30/2003 <sup>1</sup>	
<i>Filing Disposition</i>	<i>Number of Filings</i>	<i>% of All Filings</i>	<i>Requested \$ Impact ('000)</i>	<i>Approved \$ Impact ('000)</i>	<i>Savings/Cost \$ Impact ('000)</i>
Disapproved	101	18.2%	\$16,969	\$0	<b>\$16,969</b>
Approved	414	74.7%	\$530,571	\$431,311	<b>\$99,260</b>
<i>Amended Only</i>	53	9.6%	\$325,361	\$226,101	<b>\$99,260</b>
<i>All Other Approvals</i>	361	65.2%	\$205,210	\$205,210	<b>\$0</b>
Withdrawn	39	7.0%	\$8,421	\$0	<b>\$8,421</b>
<b>Totals</b>	<b>554</b>	<b>100.0%</b>	<b>\$555,961</b>	<b>\$431,311</b>	<b>\$124,650</b>

Line & Data Period	ALL	7/1/2001	to	6/30/2002 <sup>1</sup>	
<i>Filing Disposition</i>	<i>Number of Filings</i>	<i>% of All Filings</i>	<i>Requested \$ Impact ('000)</i>	<i>Approved \$ Impact ('000)</i>	<i>Savings/Cost \$ Impact ('000)</i>
Disapproved	119	29.4%	\$23,740	\$0	<b>\$23,740</b>
Approved	283	69.9%	\$281,644	\$256,451	<b>\$25,193</b>
<i>Amended Only</i>	NA	NA	NA	NA	NA
<i>All Other Approvals</i>	NA	NA	NA	NA	NA
Withdrawn	3	0.7%	\$3,158	0	<b>\$3,158</b>
<b>Totals</b>	<b>405</b>	<b>100.0%</b>	<b>\$308,542</b>	<b>\$256,451</b>	<b>\$52,091</b>

Note:

<sup>1</sup> There might be slight variances in data for prior years due to annual audits completed after publication dates.

In Louisiana, a company may choose to file rates or rules by following a number of statutory filing methods. Table 11 on Page 31 summarizes rate filings by the statutory provision the company opts to file under. These provisions are:

**A. PRIOR APPROVAL**

Is defined by R.S. 22§1401(J). Under this method, the insurance company seeks approval by the Louisiana Insurance Rating Commission (LIRC) of its proposed rates and rules. In the event the LIRC does not act within 45 days, the rates or rules are deemed effective. The LIRC meets monthly. Up to January 1, 2005, a company could request approval by the LIRC for any rate change to any line of business.

On and after January 1, 2005, commercial lines must be filed with the office of property and casualty. Also, prior to June 16, 2002, a company could not receive approval of a rate change but once in a 12-month period. Beginning June 16, 2002, and prior to January 1, 2004, a company could not receive approval of a rate change but once in a 6-month period.

Beginning January 1, 2004, a company could not receive approval of a rate change but once in a 12-month period.

**B. FILE & USE – EXCLUDING WORKERS’ COMPENSATION**

Is defined by R.S. 22§1407(F). Under this method, the insurance company seeks approval by the LIRC without formally going before the LIRC. To qualify under this method, the filing must be for a rate adjustment, the rate change by risk classification must not involve a change in the relationship between the underlying pure loss component and the underlying expense component and the rate change must only involve changes in rate relativities that are based on loss experience. Rates are deemed effective on the dates specified in the filing.

Public property, surety and workers’ compensation filings do not qualify under this filing method. In the event that the rate change is found not to be in compliance with statute or not to be actuarially justified, staff will request that the LIRC review and act on the request as it finds appropriate.

**C. 90-DAY FILE & USE – WORKERS’ COMPENSATION**

Is defined by R.S. 22§1407(K). Under this method, the insurance company seeks approval by the LIRC without formally going before the LIRC. To qualify under this method; the filing must be for a rate adjustment, the rate change must be actuarially justified, the average percentage change must be no less than -20% and no more than +20% and the effective date must be 90 days from the date of filing. Only workers’ compensation filings can qualify under this filing method.

In the event that the rate change is found not to be in compliance with statute or not to be actuarially justified, staff will request that the LIRC review and act on the request as it finds appropriate.

## **OFFICE OF PROPERTY & CASUALTY...**

### **INSURANCE RATING AND POLICY FORMS DIVISION...**

#### **D. 30-DAY FILE & USE**

Is defined by R.S. 22§1401(J)(2) and (3) prior to January 1, 2004. Under this method, the insurance company can take a rate increase or decrease without LIRC approval. To qualify for a rate increase; the last LIRC-approved rate request must have been a decrease, the filed rate increase must be less than or equal to those rates approved by the LIRC in the filing prior to the last LIRC-approved decrease and the company must wait 30 days from the date of filing to implement the rate increase. To qualify for a rate decrease, the last LIRC-approved rate request must have been an increase, the filed rate decrease must be greater than or equal to those rates approved by the LIRC in the filing prior to the last LIRC-approved increase and the company must wait 30 days from the date of filing to implement the rate decrease.

In the event that the rate change is found not to be in compliance with statute or not to be actuarially justified, staff will request that the LIRC review and act on the request as it finds appropriate.

#### **E. FLEXIBLE RATING**

Is defined by R.S. 22§1401(J)(2) and (3), beginning January 1, 2004. Under flexible rating, the insurance company can implement a rate change without LIRC approval providing certain criteria are met. The company can request as many rate changes as it finds necessary under this statute providing the aggregate, statewide, average percent change over any 12-month period is no less than -10% and no more than +10%, the company waits at least 30 days from the date of filing to implement the rate change and the rate change is actuarially justified.

Actuarial staff may find the requested rate change to be “not in compliance” and issue an order to the company directing the company not to implement the rate change.

#### **F. COMMERCIAL DEREGULATION**

Is defined by R.S. 22§1401.1, beginning January 1, 2005. Under commercial deregulation, commercial filings no longer require LIRC approval. All commercial filings, both rate and rule, are made to the Department of Insurance, office of property and casualty (OP&C). If a filing is designated by the insurance company as being negotiated, the policy has a premium of \$10,000 or greater, and the line of business is any other than workers’ compensation or medical malpractice, the company merely needs to make an information filing with OP&C.

For all other filings, the company must file with OP&C and wait 45 days before implementing the filed revision. OP&C can approve an implementation date that is less than 45 days. OP&C can disapprove a filing within the 45 days.



### METHODS OF RATE FILING 3-YEAR HISTORY ( INCLUDING STATUTORY CITATION)

TABLE 11

Line & Data Period	7/1/2003	to	6/30/2004
<i>Filing Method</i>	<i>Total Number of Rate Filings Reviewed<sup>1</sup></i>	<i>Number of Rate Filings Approved</i>	<i>Number of Rate Filings Not Approved<sup>2</sup></i>
<b>Prior Approval</b> (R.S. 22§1401.)	432	286	146
<b>File &amp; Use – Excluding Workers’ Compensation</b> (R.S. 22§1407.F.)	20	20	0
<b>90-Day File &amp; Use – Workers’ Compensation</b> (R.S. 22§1407.K.)	35	35	0
<b>30-Day File &amp; Use</b> (R.S. 22§1401.J., Act 100, 1 <sup>st</sup> Ex. Sess. 2002)	9	8	1
<b>Flexible Rating</b> (R.S. 22§1401.J., Act 351, Reg. Sess. 2003)	198	142	42
<b>Commercial Deregulation</b> (R.S. 22§1401.1.)	0	0	0
<b>Totals: All Filing Methods</b>	<b>694</b>	<b>491</b>	<b>189</b>

Line & Data Period	7/1/2002	to	6/30/2003
<i>Filing Method</i>	<i>Total Number of Rate Filings Reviewed<sup>1</sup></i>	<i>Number of Rate Filings Approved</i>	<i>Number of Rate Filings Not Approved<sup>2</sup></i>
<b>Prior Approval</b> (R.S. 22§1401.)	524	385	139
<b>File &amp; Use – Excluding Workers’ Compensation</b> (R.S. 22§1407.F.)	0	0	0
<b>90-Day File &amp; Use – Workers’ Compensation</b> (R.S. 22§1407.K.)	10	10	0
<b>30-Day File &amp; Use</b> (R.S. 22§1401.J., Act 100, 1 <sup>st</sup> Ex. Sess. 2002)	20	19	1
<b>Flexible Rating</b> (R.S. 22§1401.J. - Act 351, Reg. Sess. 2003)	0	0	0
<b>Commercial Deregulation</b> (R.S. 22§1401.1.)	0	0	0
<b>Totals: All Filing Methods</b>	<b>554</b>	<b>414</b>	<b>140</b>

Line & Data Period	7/1/2001	to	6/30/2002
<i>Filing Method</i>	<i>Total Number of Rate Filings Reviewed<sup>1</sup></i>	<i>Number of Rate Filings Approved</i>	<i>Number of Rate Filings Not Approved<sup>2</sup></i>
<b>Prior Approval</b> (R.S. 22§1401.)	405	283	122
<b>File &amp; Use – Excluding Workers’ Compensation</b> (R.S. 22§1407.F.)	0	0	0
<b>90-Day File &amp; Use – Workers’ Compensation</b> (R.S. 22§1407.K.)	0	0	0
<b>30-Day File &amp; Use</b> (R.S. 22§1401.J., Act 100, 1 <sup>st</sup> Ex. Sess. 2002)	0	0	0
<b>Flexible Rating</b> (R.S. 22§1401.J., Act 351, Reg. Sess. 2003)	0	0	0
<b>Commercial Deregulation</b> (R.S. 22§1401.1.)	0	0	0
<b>Totals: All Filing Methods</b>	<b>405</b>	<b>283</b>	<b>122</b>

**Notes:** <sup>1</sup> “Filings Reviewed” only include those with a final disposition of approved, disapproved or withdrawn; pending reviews are not counted.

<sup>2</sup> “Not Approved” filings include disapproved and withdrawn filings; pending reviews are not counted.

## OFFICE OF PROPERTY & CASUALTY...

### INSURANCE RATING AND POLICY FORMS DIVISION...

In 1995, legislation was enacted which requires workers' compensation group self-insurance fund to file rates and rules with the Department of Insurance for approval. The commissioner of insurance delegated review and action authority to the Louisiana Insurance Rating Commission. The actuarial services staff reviews these filings for rate adequacy and statutory compliance and recommends a course of action to the deputy commissioner for the office of property and casualty.

Each year the LIRC collects assessment fees based on the premiums written by each admitted property and casualty company that conducts business in Louisiana. This assessment is based on the premiums written from January 1 through December 31 of the prior calendar year. For the 2003 assessment, the premiums written in 2002 were used to determine the amount owed by each property and casualty company.

The total LIRC assessment was 0.01 in 2003. The LIRC collected assessment revenue in the amount of \$58,419,392, based on approximately \$5,841,939,184 in Louisiana property and casualty assessable written premium. The LIRC's allocated portion was approximately \$14,817,266,483. All collected revenue was forwarded to the General Fund of the State of Louisiana.

In accordance with R.S. 22§1419(A), the assessment is distributed as follows:

Municipal Police Retirement System	<b>0.004000</b>
Sheriffs' Pension Relief Fund	<b>0.001000</b>
Firefighters' Retirement System	<b>0.002000</b>
LIRC	<b>0.002750</b>
Municipal Police & Fire Civil Service	<b><u>0.000250</u></b>
<b>Total</b>	<b><u>0.010000</u></b>

The volume of insurance business for which the LIRC has oversight is displayed in Table 12.

**LOUISIANA ADMITTED PROPERTY & CASUALTY MARKET  
EXHIBIT OF UNDERWRITING GAINS & LOSSES BY  
LINE OF BUSINESS CALENDAR YEAR 2003**

**TABLE 12**

<i>Line of Business</i>	<i>Written Premium</i>	<i>Losses &amp; Adjustments Incurred</i>	<i>Underwriting Expenses</i>	<i>Gains From Underwriting</i>	<i>Losses &amp; Expenses % of DEP</i>
Fire	\$123,462,800,047	\$50,883,610	\$32,990,107	\$37,449,882	69.13
Allied Lines	122,220,622	26,660,708	34,600,416	52,454,579	53.37
Farmowners M/P	7,218,976	4,892,992	2,127,411	(94,013)	101.36
Homeowners M/P	872,242,653	389,529,552	229,096,337	189,475,530	76.55
Commercial M/P Fire	201,158,010	83,245,567	57,664,392	57,596,767	71.09
Commercial M/P Liability	121,178,254	123,694,275	35,404,034	(39,774,631)	133.33
Inland Marine	203,450,013	98,014,187	49,477,706	51,080,820	74.28
Financial Guaranty	21,164,429	37,702	7,576,624	6,193,429	55.14
Medical Malpractice	89,365,764	85,325,576	9,745,073	(10,561,227)	112.50
Earthquake	2,983,907	399,590	746,543	1,605,617	41.65
Workers' Compensation	616,256,211	352,946,972	119,043,696	123,030,523	79.32
Liability Other Than Auto	309,784,453	404,413,429	63,711,191	(170,872,020)	157.48
Product Liability	18,831,941	85,366,746	7,052,275	(74,115,217)	504.92
Private Passenger Auto Liability	1,694,324,641	1,394,757,387	309,685,708	(75,897,839)	104.53
Commercial Auto Liability	335,089,813	339,746,135	76,127,104	(88,387,109)	126.99
Private Passenger Physical Damage	1,130,591,879	733,003,766	212,815,212	156,619,742	85.79
Commercial Auto Physical Damage	83,947,312	42,653,714	18,793,740	24,070,771	71.85
Fidelity	9,977,257	3,220,549	2,981,687	3,372,269	64378
Surety	53,342,555	26,586,911	23,326,454	(946,846)	101.93
Glass	1,208	1,378,450	1,271	(1,379,721)	0.00
Burglary & Theft	1,156,077	(39,367)	368,728	871,797	27.42
Boiler & Machinery	17,751,266	2,577,019	4,813,390	9,019,880	45.04
Credit	8,250,432	6,302,644	4,282,781	1,039,794	83.50
Mortgage Guaranty	51,319,173	23,459,849	8,972,756	18,683,792	63.45
Title	93,625,013	6,255,942	73,480,389	11,2377,284	87.61
Miscellaneous	56,146,563	53,253,986	15,447,407	(6,302,282)	110.10
<b>TOTALS</b>	<b>\$6,244,841,222</b>	<b>\$4,333,981,157</b>	<b>\$1,400,332,431</b>	<b>\$277,511,572</b>	<b>95.38</b>

## OFFICE OF PROPERTY & CASUALTY...

INSURANCE RATING AND POLICY FORMS DIVISION...

### POLICY FORMS SECTION

The policy forms section reviews contract forms submitted by insurers for compliance with applicable statutes, rules and regulations. This entails reviewing property and casualty insurance contract forms for compliance with applicable statutory requirements.

Table 13 shows the total number of form filings reviewed by this section.

TABLE 13	NUMBER OF FORM FILINGS REVIEWED 3-YEAR HISTORY	
	<i>Fiscal Year</i>	<i>Total No. Of Filings</i>
	07-01-2003 to 06-30-2004	25,765
	07-01-2002 to 06-30-2003	26,095
	07-01-2001 to 06-30-2002	44,536

Table 14 represents the actions taken. The form filing approval rate for fiscal year 2003-2004 was 37.1 percent.

TABLE 14	ACTIONS TAKEN ON FORM FILINGS REVIEWED 3-YEAR HISTORY		
	<i>Fiscal Year</i>	<u><i>Total No. Of Filings</i></u> <i>Approved      Disapproved</i>	
	07-01-2003 to 06-30-2004	9,572	11,562
	07-01-2002 to 06-30-2003	7,143	11,017
	07-01-2001 to 06-30-2002	7,989	28,833

## COMPLIANCE DIVISION

The compliance division monitors the marketing, underwriting, customer service and claims handling practices of property and casualty insurers and producers conducting business in Louisiana. Additionally this division provides information, advice and assistance to consumers and industry representatives by responding to inquiries, making public presentations and supplying informational pamphlets and brochures to interested parties. This includes:

- » Resolving policyholder grievances regarding property and casualty insurance coverage and policyholder's legal rights.
- » Enforcing industry compliance with consumer protection regulations.
- » Educating the public about insurance coverage, legal rights and how to avoid future problems.

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### ACTIVITIES OF COMPLIANCE DIVISION

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**TABLE 15**

Total Consumer Complaints:	
Opened	2,429
Closed	2,279
In Progress at End of Fiscal Year	150
Total Complaint Packets Mailed	1,322
Total Benefits & Refunds Recovered on Behalf of Consumers	\$2,691,368

## ANNUAL CONSUMER COMPLAINT REPORT

### PROPERTY & CASUALTY COMPLIANCE DIVISION

R.S. 22§1219 REPORT BY THE COMMISSIONER

*The commissioner of insurance shall annually submit a report to the Senate and House of Representatives Committees on Insurance relative to complaints received and actions taken pursuant to the provisions of this Part. Such report shall contain information relative to the number of complaints received, and the disposition of same, the amount collected in penalties, the cost of all related proceedings, and such other information as the commissioner deems pertinent or the insurance committees shall request.*

Effective July 1, 2001, property and casualty (P&C) complaints were handled by the Office of Property and Casualty, compliance division. The compliance division sent out **1,322** complaint packets during the 2003-2004 Fiscal Year and completed processing of **2,255** P&C consumer complaints, compared to **2,429** consumer complaints during the 2002-2003 Fiscal Year.

The efforts of this division resulted in reimbursements and claim settlements totaling **\$2,691,368** being realized by consumers. Table 16 represents the number of complaints processed.

**TABLE 16**  
**NUMBER OF PROPERTY & CASUALTY  
CONSUMER COMPLAINTS PROCESSED  
3-YEAR HISTORY**

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<i>Fiscal Year</i>	<i>Total No. Of Complaints</i>
07-01-2003 to 06-30-2004	2,255
07-01-2002 to 06-30-2003	2,429
07-01-2001 to 06-30-2002	2,505

On the following pages, Table 17 and Chart 3 give a statistical overview and history of the property and casualty insurance consumer complaints handled by the Louisiana Department of Insurance.

**PROPERTY & CASUALTY COMPLAINT STATISTICS**  
**TOTAL NUMBER OF COMPLAINTS BY COVERAGE TYPE**

TABLE 17

<i>Coverage Type</i>	<i>Total No. Filed</i>	<i>% Of Total</i>	<i>Closed</i>	<i>Open</i>
301 – Auto/Personal	1,160	51.44%	1,078	82
302 – Auto/Commercial	49	2.17%	43	6
305 – Auto/Physical Damage	0	0.00%	0	0
306 – Auto/Motor Home	6	0.27%	6	0
308 – Auto/Motorcycle	5	0.22%	5	0
309 – Auto/VMB-Extended Warranty	37	1.64%	18	19
310 – Auto/GAP Coverage	9	0.40%	8	1
390 – Auto/Other	9	0.40%	7	2
401 – Commercial Fire	2	0.09%	2	0
402 – Commercial Multi Peril	6	0.27%	6	0
404 – Commercial Fire & Allied	0	0.00%	0	0
405 – Commercial Business Owners	7	0.31%	5	2
407 – Commercial Business	21	0.93%	17	4
408 – Commercial/Property	16	0.71%	15	1
490 – Commercial Other	24	1.06%	19	5
501 – Homeowners	569	25.23%	522	47
502 – Homeowners/Mobile Home	12	0.53%	12	0
503 – Homeowners/Renters	7	0.31%	7	0
504 – Flood	21	0.93%	20	1
505 – Homeowners/Home Warranty	1	0.04%	1	0
590 – Homeowners/Other	5	0.22%	5	0
801 – Liability/General	52	2.31%	47	5
802 – Liability/E&O, D&O, Professional Liability	6	0.27%	6	0
803 – Liability/Umbrella	4	0.18%	3	1
805 – Liability/Excess	1	0.04%	1	0
806 – Liability Business	4	0.18%	4	0
808 – Liability/Employment Practices	1	0.04%	1	0
890 – Liability/Other	11	0.49%	10	1
901 – Miscellaneous/Work Comp/Emp Liability	112	4.97%	96	16
902 – Miscellaneous/Fidelity & Surety/Bond	63	2.79%	48	15
903 – Miscellaneous/Ocean Marine	0	0.00%	0	0
904 – Miscellaneous/Inland Marine	4	0.18%	3	1
905 – Miscellaneous/Title	2	0.09%	2	0
906 – Miscellaneous/Mort Guaranty	1	0.04%	1	0
907 – Miscellaneous/Motor Club	0	0.00%	0	0
910 – Miscellaneous/Aviation	2	0.09%	2	0
915 – Miscellaneous/Property Residential	1	0.04%	0	1
990 – Miscellaneous/Other	25	1.11%	23	2
<b>Totals</b>	<b>2,255</b>	<b>100.00%</b>	<b>2,043</b>	<b>212</b>

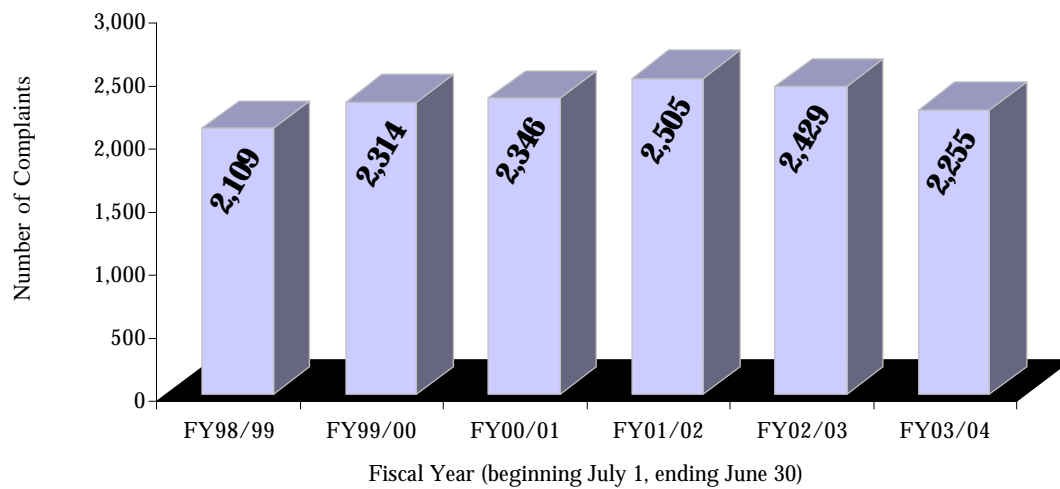
## OFFICE OF PROPERTY & CASUALTY...

### ANNUAL CONSUMER COMPLAINT REPORT...

CHART 3

#### PROPERTY & CASUALTY COMPLAINT TOTALS 6-YEAR HISTORY

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# LOUISIANA PROPERTY AND CASUALTY INSURANCE COMMISSION

## R.S. 22§15 REPORT BY THE COMMISSION

*The commission shall submit to the governor, the Louisiana Legislature and the commissioner of insurance on an annual basis prior to the convening of each regular legislative session an annual report on their actions, studies, findings and recommendations of those laws and projects affecting property and casualty insurance.*

### LEGISLATIVE BACKGROUND AND PURPOSE

In 1997, the Louisiana Legislature created the Council on Automobile Insurance Rates and Enforcement (C.A.I.R.E.) to undertake a comprehensive study and provide oversight and recommendations aimed at enforcement of those laws and programs that affect automobile insurance rates. C.A.I.R.E. researched and studied many ideas that have been beneficial in the area of lowering automobile insurance rates, including, but not limited to, the impoundment law, “No Pay, No Play,” stronger DWI penalties, graduated licensing, automobile insurance checkpoints and a crackdown on insurance fraud.

Due to C.A.I.R.E.’s thorough studies of law enforcement and the automobile insurance situation in the state, the 2001 Louisiana Legislature expanded C.A.I.R.E.’s realm of study to include not only automobile insurance but also homeowners’ insurance and workers’ compensation insurance, thus forming the Louisiana Property and Casualty Insurance Commission (Act No. 187 of the 2001 Regular Session, R.S. 22§15). The Louisiana Property and Casualty Insurance Commission, which consists of three ad-hoc committees (Automobile Insurance Ad-Hoc Committee, Homeowners’ Insurance Ad-Hoc Committee and Workers’ Compensation Ad-Hoc Committee) has been given the task of reviewing and examining the availability and affordability of property and casualty insurance in the state of Louisiana.

During the 2003 Regular Legislative Session, Act No. 590 amended and changed the makeup of the Louisiana Property and Casualty Insurance Commission. The Act also designates the ad-hoc committee memberships. The amended commission membership as of August 15, 2003, is detailed on the following page.

## **OFFICE OF PROPERTY & CASUALTY...**

LOUISIANA PROPERTY AND CASUALTY INSURANCE COMMISSION...

### **MEMBERSHIP OF THE LOUISIANA PROPERTY AND CASUALTY INSURANCE COMMISSION AS OF AUGUST 15, 2003**

The 22-member commission is composed of:

- » The governor or her designee
- » The assistant secretary of the Louisiana Department of Public Safety and Corrections, office of motor vehicles, or his designee
- » The attorney general or his designee
- » A representative of the Louisiana Association of Fire and Casualty Companies, selected by its governing body, or his designee
- » The president of the Louisiana District Attorneys Association or his designee
- » A representative of the National Association of Independent Insurers, selected by its governing body, or his designee
- » The chairperson of the Louisiana Insurance Rating Commission or his designee
- » Two members of the House Committee on Insurance selected by its chairman
- » Two members of the Senate Committee on Insurance selected by its chairman
- » One consumer representative selected by the speaker of the House of Representatives
- » One consumer representative selected by the president of the Senate
- » A representative of the Independent Insurance Agents/Brokers of Louisiana
- » A representative of the Professional Insurance Agents of Louisiana
- » The executive director of the Louisiana Highway Safety Commission or his designee
- » A representative of the Property Insurance Association of Louisiana or his designee
- » A representative of the Louisiana Workers' Compensation Corporation appointed by its board of directors or his designee
- » A representative of the Department of Labor, office of workers' compensation or his designee, appointed by the secretary of labor
- » The commissioner of insurance or his designee
- » A representative of the Alliance of American Insurers, selected by its governing body, or his designee
- » A representative of law enforcement or his designee, selected jointly by the superintendent of state police, the secretary of the Department of Public Safety and Corrections, the president of the Louisiana Association of Chiefs of Police, and the president of the Louisiana Sheriffs' Association

## STATE OF THE MARKET

## AUTO

In comparison, Louisiana ranks 5<sup>th</sup> in the country for combined average auto insurance premiums. Louisiana citizens pay approximately \$185 more than the national average. The cost drivers, which determine higher rates, remain the same. Drunk driving continues to be a huge problem in the state with approximately 45 percent of all fatalities being alcohol-related. Reducing alcohol-related crashes by 10 percent would save \$60 million in claims payments and loss adjustment expenses.

Seat belt compliance remains below the national average; and of the primary law states, Louisiana ranks last. Poor road conditions are still a contributing factor, with Louisiana ranking 3<sup>rd</sup> in the nation for the worst roads. Statistics show that 24 percent of the major roads in Louisiana are in poor condition. As a result, Louisiana motorists pay \$1.1 billion annually in extra vehicle operating costs. Rounding out the list of cost drivers are high claim frequency and high attorney representation. All these factors combine to create higher auto insurance premiums.

**TOP 10 STATES**  
**AUTOMOBILE AVERAGE COMBINED PREMIUMS**

TABLE 18

<i>State</i>	<i>Rank</i>	<i>Average Combined Premium</i>
New Jersey	1	\$1,283.87
New York	2	\$1,240.24
District of Columbia	3	\$1,191.87
Rhode Island	4	\$1,095.57
<b>Louisiana</b>	<b>5</b>	<b>\$1,064.54</b>
Massachusetts	6	\$1,062.39
Connecticut	7	\$1,057.57
Colorado	8	\$1,051.37
Alaska	9	\$1,034.00
Nevada	10	\$1,011.20
<b>Countrywide</b>		<b>\$880.00</b>

Source: 2002 National Association of Insurance Commissioners (NAIC)

## OFFICE OF PROPERTY & CASUALTY...

### LOUISIANA PROPERTY AND CASUALTY INSURANCE COMMISSION...

#### HOMEOWNERS

Louisiana remains at the No. 2 spot in the country for high homeowners insurance premiums, surpassed only by Texas. The geographical location of Louisiana remains a cause for higher premiums. In some areas of Louisiana, it is hard to obtain coverage within the voluntary market because of the lack of competition since Hurricane Andrew hit the state in 1992. Therefore, Louisiana instituted several legislative reforms during the 2003 Regular Session aimed at improving the situation.

Flexible rating went into effect on January 1, 2004, for the property and casualty insurance market; and the Louisiana Citizens Property Insurance Corporation was created to manage the residual market plan with a reserve funding mechanism as an incentive to insurance companies coming into the state. As of June 2004, there are 12 new insurance companies writing business in the state and several companies have opened books of business which were previously closed to new business.

TABLE 19

#### TOP 10 STATES HOMEOWNERS' AVERAGE PREMIUM

<i>State</i>	<i>Rank</i>	<i>Cost</i>
Texas	1	\$1,238
<b>Louisiana</b>	<b>2</b>	<b>\$840</b>
Oklahoma	3	\$800
Florida	4	\$786
District of Columbia	5	\$697
Kansas	6	\$684
Mississippi	7	\$668
Alaska	8	\$668
New York	9	\$661
Colorado	10	\$660
<b>Countrywide</b>		<b>\$593</b>

Source: 2002 National Association of Insurance Commissioners (NAIC)

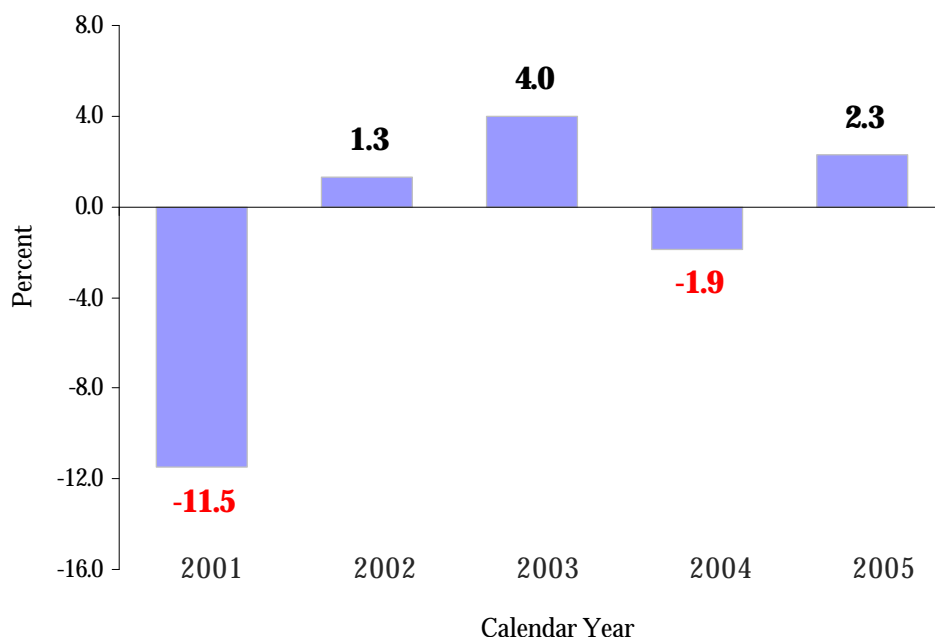
## WORKERS' COMPENSATION

Workers' compensation insurance remains a fairly stable market in the state. The loss cost changes have varied only modestly in recent years, and the marketplace is competitive. Even though the underlying medical and indemnity cost drivers are increasing, the combined loss ratio and claim frequency continues to decline.

In Louisiana, the average claim severity for indemnity insurance is higher than in neighboring states. Louisiana's population mix has moved toward an older work force. Older workers tend to be out of work longer than younger workers are when injured on the job, which tends to drive loss severity costs upward. According to the National Council on Compensation Insurance, the work environment is safer than in previous years, producing a decline in incident rates in most major industries in Louisiana.

**LOUISIANA FILING ACTIVITY  
VOLUNTARY LOSS COST CHANGES**

**CHART 4**



SOURCE: 2005 National Council on Compensation, Inc. (NCCI)

## OFFICE OF PROPERTY & CASUALTY...

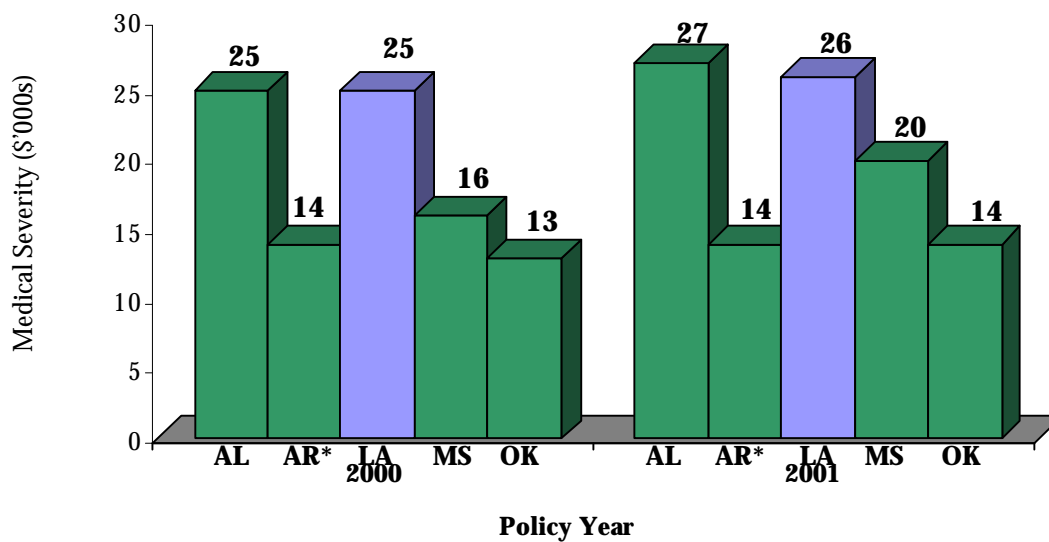
LOUISIANA PROPERTY AND CASUALTY INSURANCE COMMISSION...

## WORKERS' COMPENSATION CHARTS...

CHART 5

### LOUISIANA'S MEDICAL AVERAGE CLAIM SEVERITY COMPARED WITH NEIGHBORING STATES

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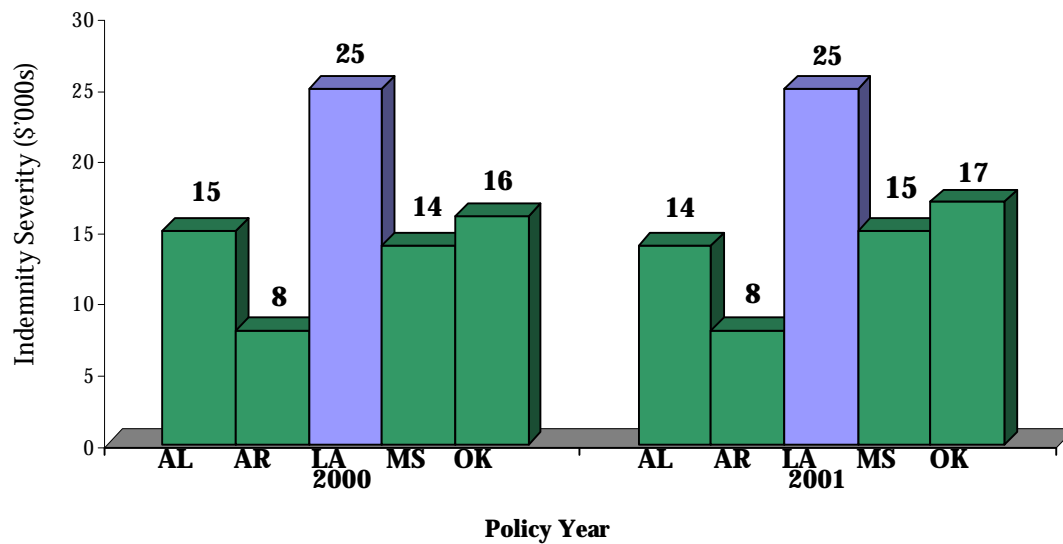


Based on NCCI's financial data for lost-time claims valued as of 12/31/03.  
\* Based on NCCI's financial data for lost-time claims valued as of 12/31/02.

Source: 2005 National Council on Compensation Insurance, Inc.

**LOUISIANA'S INDEMNITY AVERAGE CLAIM SEVERITY  
IS HIGHER THAN OTHER NEIGHBORING STATES**

**CHART 6**



Calendar Year 2000 is based on NCCI's financial data for lost-time claims valued as of 12/31/2002.  
Calendar Year 2001 is based on NCCI's financial data for lost-time claims valued as of 12/31/2003.

Source: 2005 National Council on Compensation Insurance, Inc.

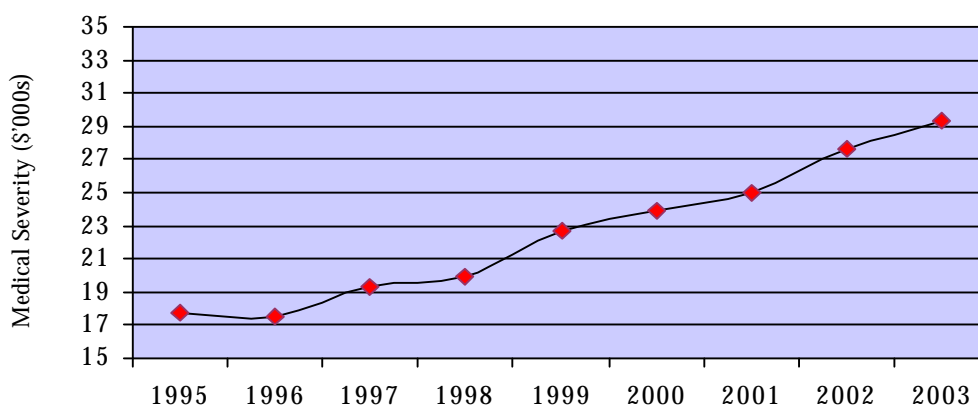
## OFFICE OF PROPERTY & CASUALTY...

LOUISIANA PROPERTY AND CASUALTY INSURANCE COMMISSION...

## WORKERS' COMPENSATION CHARTS...

CHART 7

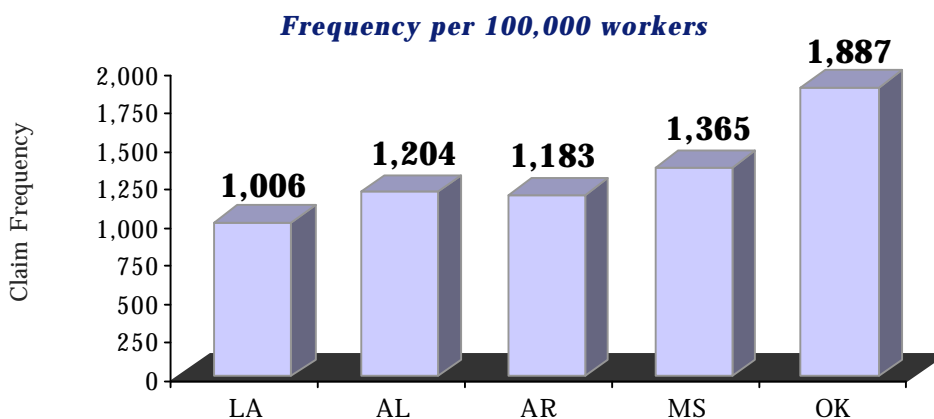
### LOUISIANA'S MEDICAL AVERAGE CLAIM SEVERITY HAS STEADILY INCREASED SINCE 1995



Source: 2005 National Council on Compensation Insurance, Inc.

CHART 8

### LOUISIANA'S AVERAGE LOST-TIME CLAIM FREQUENCY IS LOW WHEN COMPARED TO OTHER STATES IN THE REGION



Source: 2005 National Council on Compensation Insurance, Inc.



## **LEGISLATIVE RECOMMENDATIONS**

Recommendations to the legislature continue to be a hallmark of the Louisiana Property and Casualty Insurance Commission. The commission discussed and previewed the legislation that passed in the 2003 Regular Session and the 2004 Regular Session stemming from recommendations made to the legislature during this reporting period.

### **SUMMARY OF RECOMMENDATIONS FOR 2003 LEGISLATIVE SESSION**

- » Outlaw open alcohol containers for passengers
- » Require that 2<sup>nd</sup> time DWI convicted offenders install an ignition interlock device in their vehicle, at their expense, for one year
- » Prohibit pretrial diversion for DWIs
- » Repeal Odinet bill, which lessens the penalty for repeat DWI offenders
- » Require seat belt usage for all passengers
- » Base child safety seat/booster seat usage on years and weight
- » Restrict persons under the age of 21 from entering bars
- » Reenact the mandatory motorcycle helmet law
- » Create a system for maintaining records for the number of vehicles impounded for not having proper proof of insurance
- » Lower the jury trial threshold limit
- » Establish a tracking system for DWI arrests
- » Modify the Louisiana Insurance Rating Commission to a Flex-Band System
- » Repeal Sections 655(B) and 983(E) of Title 22 – the direct action insurance statute
- » Reform the funding mechanism of the Louisiana FAIR and Coastal Plans by extending the time needed for companies to pay their assessments
- » Modify the cancellation law

### **LEGISLATION ENACTED FROM 2003 REGULAR SESSION**

House Bill 713:	Act No. 1238 requiring passenger restraint systems for children, according to age and weight, for children transported in motor vehicles.
Senate Bill 721:	Act No. 351 created a flexible rating process for property and casualty insurance rates.
House Bill 1788:	Act No. 1133 that created the Louisiana Citizens Property Insurance Corporation to manage the residual market.

## **OFFICE OF PROPERTY & CASUALTY...**

### **LOUISIANA PROPERTY AND CASUALTY INSURANCE COMMISSION...**

#### **LEGISLATION ENACTED FROM 2004 REGULAR SESSION**

Senate Bill 341:	Act No. 15 prohibits any passenger in a motor vehicle from possessing or consuming an open alcoholic beverage.
House Bill 1712:	Act No. 905 requires an interlock device on the vehicle of a DWI offender convicted of driving under suspension.
House Bill 109:	Act No. 742 reinstates a mandatory safety helmet law, which was repealed in 1999.
Senate Bill 556:	Act No. 666 establishes the impaired driving tracking system and requires agencies to provide all pertinent information of a person charged with DWI offenses.

#### **OTHER KEY ISSUES ADDRESSED BY THE COMMISSION**

Over the past year, the commission has met to review and consider issues that are affecting the property and casualty insurance market in our state. The commission has opened its doors not only to the insurance industry but also to other state agencies and special interest groups to fully explore and address all avenues of property and casualty insurance costs to consumers and business owners.

Updates were presented to the commission on the progress of the Louisiana Citizens Property Insurance Corporation including its plan of operation, Act N0. 1256 which pertained to limiting the use of credit scoring for personal insurance, and Act No. 351 which created the flexible rating system. The flexible rating system report contained the preparations by the Department of Insurance and the office of property and casualty to ready itself for the effective date of January 1, 2004.

The Louisiana Property and Casualty Insurance Commission will continue to monitor the flexible rating system and report on its progress. Another topic of discussion was how to compose the most effective legislative proposals combining highway safety issues and insurance cost-related factors that would result in reduced insurance rates. Two additional issues the commission has continued to explore are repealing the direct action statute and lowering the jury trial threshold.

## **OFFICE OF PROPERTY & CASUALTY...**

The commission formed an ad-hoc subcommittee to address the subject of lowering the jury trial threshold in Louisiana. The subcommittee's charge was to meet and explore common ground between interested parties regarding this issue. There was representation from the Louisiana District Attorneys Association, the Louisiana District Judges Association, the Police Jury Association of Louisiana, the Louisiana Trial Lawyers Association, the Property Casualty Insurers Association of America and the American Insurance Association. After receiving extensive testimony by all representatives, there was no consensus. The commission will continue to study this issue.

## **FUTURE STUDY POINTS**

The Louisiana Property and Casualty Insurance Commission will continue to study and develop legislative recommendations including:

- » Repeat DWI Offenders
- » Underage Drinking
- » Seat Belt Usage for All Occupants
- » Aggressive Driving
- » Driver's License Point System
- » Red-Light Cameras
- » Building Codes

## **PUBLICATIONS**

The Louisiana Property and Casualty Insurance Commission publishes a newsletter, *The Property & Casualty Insurance Commission Monthly Report*.

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# **2003-2004**

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## **OFFICE OF FINANCIAL SOLVENCY**

### **LOUISIANA DEPARTMENT OF INSURANCE**

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# OFFICE OF FINANCIAL SOLVENCY

The Office of Financial Solvency consists of four divisions:

- » Financial Examinations and Analysis
- » Market Conduct
- » Actuarial
- » Surplus Lines and Insurance Premium Tax

These divisions work together to examine and monitor the financial condition and market conduct activities of all insurers approved to conduct the business of insurance in Louisiana. The type of regulated insurer varies and includes Louisiana domiciled (domestic), out of state (foreign) and out of country (alien) insurers. These companies may operate as life, health, property and casualty, health maintenance organizations, surplus lines, self-insurance funds (primarily workers' compensation insurance), vehicle mechanical breakdown companies and automobile clubs.

This office is staffed primarily by accounting and actuarial professionals who review the financial condition of insurers for the protection of the policyholders and taxpayers of Louisiana.

## FINANCIAL EXAMINATIONS & ANALYSIS DIVISION

This division is divided into two units: the financial examinations unit and the financial analysis unit. The financial examinations unit performs on-site examinations, at least once every five years, as required by statute, of the financial, corporate and marketing practices of Louisiana domiciled insurers under the provisions and requirements of the Louisiana Insurance Code. Examinations may entail a review of all operations of insurers and their related transactions with affiliates, or be confined to limited or targeted areas relating to the insurers' activities.

The financial analysis unit analyzes the periodic financial statements and other required filings of licensed insurers. The activities of the analysts are important in the early detection of financially troubled insurers. During the course of the year, the analyst will review consumer complaint data, financial statements, holding company registration statements, affiliated transactions, investments and other items. In addition, this unit performs financial reviews of insurance company acquisition transactions and insurance company licensing applications and mergers.

## MARKET CONDUCT DIVISION

The market conduct division monitors the sales, marketing, underwriting, policy issuance and claims administration activities of insurance companies and producers to determine whether the acts and/or practices of insurance companies are unfair and/or deceptive to policyholders and/or beneficiaries and to determine if the practices are in violation of Louisiana insurance laws or regulations.

In addition to halting any illegal, unfair or deceptive practices, this division also seeks sanctions or penalties against insurers and producers for these practices.

## ACTUARIAL DIVISION

The actuarial division is composed of two units: the life and health actuarial unit and the property and casualty actuarial unit. The actuarial division provides actuarial analysis of insurance legislation.

The life and health actuarial unit provides actuarial expertise in the determination of the adequacy of the reserve liabilities established by life and health insurers and health maintenance organizations.

The property and casualty actuarial unit provides similar actuarial and reinsurance expertise to the examination and analysis of property and casualty insurers, title insurers, vehicle mechanical breakdown companies and self-insurance funds.

In 1995, legislation was enacted to require workers' compensation group self-insurance funds to file rates and rules with the Department of Insurance for approval. The commissioner of insurance delegated review and action authority to the office of financial solvency. Actuarial services' staff reviews these filings for rate adequacy and statutory compliance and recommends a course of action to the deputy commissioner for the office of financial solvency.

Tables 20 and 21 on the following page summarize activities on workers' compensation group self-insured funds for the last three fiscal-year periods.

## OFFICE OF FINANCIAL SOLVENCY...

ACTUARIAL DIVISION...

TABLE 20

### GROUP SELF-INSURANCE FUNDS RATE/RULE FILINGS REVIEWED 3-YEAR HISTORY

<i>Fiscal Year</i>	<i>Approved</i>	<i>Disapproved</i>	<i>Withdrawn</i>
07-01-2003 to 06-30-2004	6	1	0
07-01-2002 to 06-30-2003	3	0	0
07-01-2001 to 06-30-2002	0	0	0

TABLE 21

### GROUP SELF-INSURANCE FUNDS TOTAL PREMIUMS WRITTEN 3-YEAR HISTORY

<i>Calendar Year</i>	<i>Totals</i>
Premiums Written During 2003	\$184,132,557
Premiums Written During 2002	\$160,767,544
Premiums Written During 2001	\$131,257,017

## SURPLUS LINES & INSURANCE PREMIUM TAX DIVISION

The surplus lines and insurance premium tax division (hereafter referred to as tax division) is responsible for the enforcement of all tax-related statutes of Title 22, the Louisiana Insurance Code. The major function of this division is the collection and classification of taxes and penalties from licensed insurance companies and surplus lines producers. In addition, the tax division is responsible for the collection and classification of renewal license and filing fees for admitted and approved unauthorized insurers.

For the year ended December 31, 2003, the tax division collected \$123,922,285 in taxes from licensed insurers and \$37,936,738 in taxes from surplus lines producers. The division is also responsible for compiling, sorting and distributing premium taxes to parishes and municipalities for tax reconciliation purposes. Also, the tax division regulates more than 650 licensed surplus lines producers and routinely examines these producers for compliance with the Louisiana Insurance Code.



**HISTORICAL DATA**

The following schedules indicate an aggregate three-year historical data by category presented on a calendar-year basis.

**SURPLUS LINES & INSURANCE PREMIUM TAXES  
3-YEAR HISTORICAL DATA BY CATEGORY  
BY CALENDAR YEAR**

**TABLE 22**

TOTAL LIFE, ACCIDENT & HEALTH COMPANIES (INCLUDING HMDI)			
Year	Gross Premiums	Gross Tax	Net Tax
2001	3,211,896,623	72,441,193	31,030,597
2002	3,476,869,460	78,394,275	35,039,520
2003	3,754,077,173	84,615,839	39,525,918
TOTAL FIRE & CASUALTY COMPANIES			
Year	Gross Premiums	Gross Tax	Net Tax
2001	5,330,082,065	159,677,029	59,099,170
2002	6,020,456,730	180,368,371	67,841,230
2003	6,573,374,360	197,017,424	80,321,035
HEALTH MAINTENANCE ORGANIZATIONS			
Year	Gross Premiums	Gross Tax	Net Tax
2001	1,132,516,250	25,482,480	1,274,257
2002	1,074,480,878	24,176,525	1,208,959
2003	1,146,438,600	25,795,710	1,293,125
TITLE COMPANIES			
Year	Gross Premiums	Gross Tax	Net Tax
2001	58,075,003	1,750,973	1,729,570
2002	71,845,349	2,164,402	2,135,217
2003	93,625,016	2,817,509	2,782,207
SURPLUS LINES PRODUCERS			
Year	Gross Premiums	Gross Tax	Net Tax
2001	502,346,254	25,117,313	25,117,313
2002	655,954,021	32,797,701	32,797,701
2003	758,734,765	37,936,738	37,936,738
TOTALS			
Year	Gross Premiums	Gross Tax	Net Tax
2001	10,234,916,195	284,468,988	118,250,907
2002	11,299,606,438	317,901,274	139,022,627
2003	12,326,249,913	348,183,220	161,859,023

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# **2003-2004**

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## **OFFICE OF LICENSING & COMPLIANCE**

### **LOUISIANA DEPARTMENT OF INSURANCE**

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# OFFICE OF LICENSING & COMPLIANCE

The Office of Licensing & Compliance is made up of two divisions:

- » Licensing Division
  - » Producer Licensing
  - » Company Licensing
- » Life & Annuity Division

## LICENSING DIVISION

### PRODUCER LICENSING

#### **PURPOSE**

The producer licensing unit licenses all insurance producers – individuals, partnerships and corporations – as Title 22 (the insurance code) mandates. The staff provides necessary information and forms to prospective applicants for licenses. This includes:

- » Examining applications to determine that applicants meet all requirements for being trustworthy and competent to serve the public. Recommendations to “approve” or “disapprove” applications are based on such factors as criminal history, lawsuits, bankruptcy and disciplinary actions in Louisiana or other states.
- » Distributing forms, giving instructions and providing guidance to potential applicants.
- » Responding to inquiries from the public concerning the status of producers.
- » Overseeing the producer testing program.
- » Assuring quality programs for prelicensing education and continuing education by enforcing Rule 9 and Rule 10 that govern these programs respectively. The purpose is to protect the public, maintain high standards of professional competence in the insurance industry, maintain and improve the insurance skills and knowledge of producers.

**IMPLEMENTATION**

- » Monitoring of all producers negotiating contracts of insurance to assure proper licensing and appointments by licensed insurers.
- » Recording of regulatory actions against producers, whose licenses have been revoked, suspended, fined or subject to other administrative action. This ensures that additional licenses and appointments will not be issued until such time as the licensee is eligible for reinstatement or renewal.
- » Reviewing of examination questions, prelicensing and continuing education provider applications and course content to assure that licensees are well prepared and knowledgeable in insurance.
- » Maintaining of producer databases for use by other state insurance departments, courts and law enforcement agencies. The databases are public record, available to consumers.

The statistical data in Table 23 provides information concerning the activities of agent licensing during the 2003-2004 Fiscal Year.

**ACTIVITIES OF AGENT LICENSING**

**TABLE 23**

Resident Life, Health & Accident Licenses Issued	3,592
Non-Resident Life, Health & Accident Licenses Issued	5,348
Resident Property & Casualty Licenses Issued	2,481
Non-Resident Property & Casualty Licenses Issued	5,400
Company Appointments Processed	401,068
Life, Health & Accident Renewal Applications Processed	38,747
Number of Insurance Exams Monitored	7,099
Continuing Education Course Applications Approved	1,172
Telephone Calls Handled	73,602

## **COMPANY LICENSING**

### **PURPOSE**

Company licensing coordinates the licensing of insurance companies and other entities that require licensing and/or registration as mandated by the insurance code. This includes:

- » Distributing forms, giving instructions and offering guidance to potential applicants.
- » Responding to inquiries from the public regarding the status of licensed and registered companies.
- » Reviewing applications for completeness and advising applicants about omitted or additional information required for completion.
- » Coordinating the review of applications with other divisions in the department to ensure the fastest response possible and to minimize redundant requests for information.
- » Recording changes to records of insurance companies such as corporate structure, name, additional lines of business, mergers and acquisitions, issuance of certificates of compliance, dissolution of domestic insurance companies and withdrawal of foreign insurance companies.

### **IMPLEMENTATION**

- » Processing applications in a timely and efficient manner as possible in order to provide citizens the widest selection possible of financially stable insurers from which to select coverage.
- » Evaluating the application process to make the process as uncomplicated as possible, while ensuring compliance with applicable insurance laws as they change adopting changes necessitated by the changing insurance industry.
- » Evaluating current statutes and suggestion of amendments to existing laws for the continued betterment of the overall process.
- » Maintaining databases for use by all divisions of the department. The records are available to courts and law enforcement agencies. The databases are public record, available to consumers to help them in making their insurance buying decisions.

## ACTIVITIES OF COMPANY LICENSING

TABLE 24

	<i>No. Received</i>	<i>No. Approved</i>	<i>No. Disapproved</i>	<i>No. Withdrawn</i>
<i>Function</i>	<u>DOMESTIC</u>			
Certificates of Authority (Initial)	0	0	0	0
Dissolutions	2	2	0	0
Acquisitions/Mergers	1	1	0	0
Form "A" Exemption Requests	4	3	1	0
Regulation 66 Requests	66	63	0	3
<i>Function</i>	<u>FOREIGN &amp; ALIEN</u>			
Certificates of Authority (Initial)	9	8	0	1
Surplus Lines Approval (Initial)	6	6	0	0
Accredited Reinsurers	0	0	0	0
Withdrawals	5	3	1	1
<i>Function</i>	<u>FOREIGN &amp; DOMESTIC</u>			
TPA Applications	30	27	2	1
Risk Purchasing Groups	6	6	0	0
Risk Retention Groups	1	1	0	0
Dental Referral Plans	4	4	0	0
Viatical Settlement Brokers	2	2	0	0
Viatical Settlement Providers	0	0	0	0
Security Registrations	1	1	0	0
MNRO/IRO Applications	10	9	0	1
Specialty Insurers	2	1	1	0

## **LIFE & ANNUITY DIVISION**

### **PURPOSE**

The life and annuity division investigates consumer complaints involving underwriting, claim handling, policyholder services and marketing practices of life insurers and producers doing business in Louisiana. This division also reviews life, annuity and long-term care contract forms submitted by insurers for compliance with applicable statutes, rules and regulations. Additionally, the division provides information, advice and assistance to consumers and industry representatives by responding to inquiries, making public presentations and supplying informational pamphlets and brochures. This includes:

- » Resolving policyholder grievances with respect to life insurance and annuity coverage and policyholder's legal rights.
- » Enforcing industry compliance with consumer protection regulations.
- » Reviewing life insurance and annuity contract forms and long-term care contract forms for compliance with applicable statutory requirements.
- » Educating the public about insurance coverage, legal rights and avoiding future problems.

### **IMPLEMENTATION**

- » Investigating complaints and other concerns in order to evaluate and properly dispose of violations of the Insurance Code, to obtain resolution of consumer disputes involving claims or refunds and disputes involving issuance or renewal of coverage and to rule out illegal marketing practices.
- » Reviewing life insurance, annuity and long-term care contract form filings and approving or disapproving forms based on compliance or noncompliance with applicable statutes.
- » Counseling, advising and providing information to consumers regarding insurance-related matters, in response to inquiries received by telephone, letter or in person.
- » Disseminating consumer brochures, pamphlets, complaint statistics and providing experienced, knowledgeable speakers offering valuable information on insurance issues and products.
- » Assisting consumers by facilitating requests for information relative to life insurance policies covering deceased members of their immediate families.



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**ACTIVITIES OF THE LIFE & ANNUITY DIVISION**


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**TABLE 25**

Total Consumer Complaints:	
Opened	610
Closed	627
In Progress at End of Fiscal Year	79
Total Complaint Forms Mailed	776
Total Publications Distributed	57
Total Complaint Correspondence Completed	1,023
Amount of Funds Recovered	
on Behalf of Consumers	\$864,196
Total Life & Annuity and Long-Term Care	
Policy Forms:	
Received	10,183
Pending at Beginning of Fiscal Year	133
Processed	9,897
Approved	7,460
Disapproved	1,913
Withdrawn	145
Certified Approval*	379
Telephone Inquires Handled	
(includes Life &Annuity plus other calls)	17,864
Walk-Ins Assisted	81
General Correspondence Completed	5,302

\* Certified Approval: Expedited approval by the department of a complete filing based upon the inclusion of a *Statement of Compliance* and a *Certification of Compliance*, executed by an officer or authorized representative of the filing insurer on a form prescribed by the department. The department shall by directive determine those specific types of coverages and particular types of contracts for which the certified approval procedure is either required or available at the option of the insurer.

## ANNUAL CONSUMER COMPLAINT REPORT

### LIFE & ANNUITY DIVISION

R.S. 22§1219 REPORT BY THE COMMISSIONER

*The commissioner of insurance shall annually submit a report to the Senate and House of Representatives Committees on Insurance relative to complaints received and actions taken pursuant to the provisions of this Part. Such report shall contain information relative to the number of complaints received, and the disposition of same, the amount collected in penalties, the cost of all related proceedings, and such other information as the commissioner deems pertinent or the insurance committees shall request.*

Effective July 1, 1998, the former office of licensing and market compliance was reorganized to become the office of licensing and compliance. Restructuring of the various divisions resulted in all health complaints being handled by the office of health insurance.

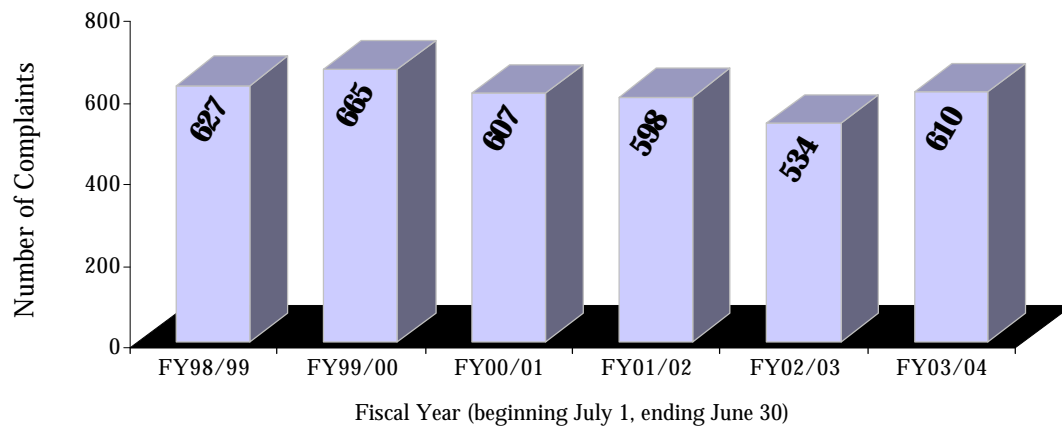
All life and annuity contract forms, plus long-term care contract forms, were retained within the life and annuity division, with all other health contract forms being shifted to the office of health insurance. Medicare supplement contract forms were transferred from the life and annuity division to the office of health insurance effective August 1, 1999.

Comparative figures for life and annuity complaints handled during the 2003-2004 Fiscal Year, were extracted from the complaint database. The life and annuity division completed processing of 610 life and annuity complaints, as compared to 534 during the 2002-2003 Fiscal Year. The efforts of this division resulted in reimbursements and claim settlements totaling **\$864,196** being realized by consumers. (See Table 26 on Page 66 for total complaints by coverage type.)

Chart 9 on the next page shows a six-year comparison of all life and annuity complaints.

**LIFE & ANNUITY COMPLAINT TOTALS  
6-YEAR HISTORY**

CHART 9



**TABLE 26**

**LIFE & ANNUITY COMPLAINT STATISTICS**  
**TOTAL NUMBER OF COMPLAINTS BY COVERAGE TYPE**

<i>Coverage Type</i>	<i>No. Pending Beginning Of Fiscal Year</i>	<i>No. Filed During Fiscal Year</i>	<i>% Of Total Filed During Fiscal Year</i>	<i>No. Closed During Fiscal Year</i>	<i>No. In Progress End Of Fiscal Year</i>
601 - Life/Individual	39	380	62.30%	374	45
602 - Life/Group	2	105	17.21%	97	10
603 - Life/Annuity	4	29	4.75%	23	10
604 - Life/Credit	0	14	2.30%	13	1
605 - Life/Industrial	0	3	0.49%	2	1
607 - Variable Annuity	0	9	1.48%	8	1
608 - Variable Life	0	3	0.49%	1	2
610 - Burial	0	3	0.49%	3	0
611 - Viatical Settlement	0	2	0.33%	2	0
614 - Long-Term Care	47	61	10.00%	103	5
690 - Life/Other	0	1	0.16%	1	0
<b>Totals</b>	<b>92</b>	<b>610</b>	<b>100.00%</b>	<b>627</b>	<b>75</b>

# **2003-2004**

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**LOUISIANA DEPARTMENT OF INSURANCE**

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# OFFICE OF HEALTH INSURANCE

The Office of Health Insurance consolidates the regulation of state and federal requirements applicable to commercial and government-operated health benefit plans.

This office provides protection to Louisiana consumers, assures continued viability of health benefit plans and determines whether enhancements or modifications are necessary to assure continued compliance. There are currently six divisions in operation:

- » Louisiana Health Care Commission
- » Quality Assurance
- » Senior Health Insurance Information Program
- » Quality Management Insurance Contracts and Forms
- » Supplemental Health Products
- » HIPAA Quality Management Consumer Affairs

## LOUISIANA HEALTH CARE COMMISSION

### **LEGISLATIVE BACKGROUND**

On July 14, 1992, the governor signed into law Act No. 1068 of the 1992 Regular Session of the Legislature, creating the Louisiana Health Care Commission (R.S. 22§9). The Louisiana Health Care Commission (LHCC) is a 49-member advisory board that undertakes comprehensive review of complex health care issues facing Louisiana.

During the 2004 Regular Session of the Louisiana State Legislature, Act No. 495 amended R.S. 22§9 to remove one dissolved organization, and add six new organizations to the commission, expanding the membership from 44 to 49 members. The new members include:

- » National Independent Insurance Agents
- » National Medical Association
- » National Association for the Advancement of Colored People
- » Association of Community Organizations for Reform Now
- » Louisiana Council on Human Rights
- » National Dental Association

### **PURPOSE**

Through a broad perspective, the commission examines all health policy developed by the Department of Insurance. The commission makes recommendations to the commissioner of insurance on all such policy and makes recommendations for reform of the health care and health insurance systems in Louisiana, in order to make access to quality health care more affordable and available for its citizens.

The commission examines the rising costs of health care in the state, including, but not limited to, the cost of administrative duplication, the costs associated with excess capacity and duplication of medical services and the costs of medical malpractice and liability. The commission further examines the formation and implementation of insurance pools that help citizens obtain health insurance at affordable costs and encourage employers to obtain health care benefits for their employees by increased bargaining power and economies of scale for better coverage and benefit options at reduced costs. The commission also examines the implementation issues related to national health care reform initiatives.

The commission may conduct public hearings to receive testimony about the availability and affordability of health care in the state. It also receives information and testimony from regional and national experts on health care access issues as needed. The commissioner of insurance submits an annual report to the state legislature on the studies, actions and recommendations of the Louisiana Health Care Commission.

### **MEMBERSHIP**

The Louisiana Health Care Commission is composed of a great variety of interests and health care experts, including health care insurers and providers, community leaders, as well as an assortment of consumer interests. Members are also from the governing boards of Louisiana's state colleges and universities, the Senate and House Insurance Committees and at-large appointments designated by the commissioner of insurance.

### **MEETINGS AND SUBCOMMITTEES**

The Louisiana Health Care Commission conducted 13 public meetings during the fiscal year July 1, 2003, through June 30, 2004. On July 1, 2003, the Louisiana Health Care Commission began a new two-year study period with members giving their suggestions on possible study issues.

The commission approved three subcommittees for study.

- » Private Insurance Market Individual/Group
- » Pharmaceutical
- » Strategic Planning

## **OFFICE OF HEALTH INSURANCE...**

### **LOUISIANA HEALTH CARE COMMISSION...**

#### **PRIVATE INSURANCE MARKET INDIVIDUAL/GROUP SUBCOMMITTEE**

The Private Insurance Market Individual/Group Subcommittee was created for the 2003-2005 two-year study period. The subcommittee held its first of three meetings on January 23, 2004. The subcommittee agreed to study potential mechanisms to address the issue of the uninsured and underinsured population as it relates to the private insurance market. There were detailed discussions by the subcommittee about Association Health Plans and economic development issues relating to the private health insurance market.

On February 27, 2004, the subcommittee made six formal recommendations to the full commission for consideration. The commission approved all six and they were presented to the commissioner of insurance for his review and potential implementation.

The Louisiana Health Care Commission and its members also participated in additional study groups during the 2003-2004 study period. A brief description follows.

#### **LACHOICE WORK GROUP**

Act No. 424 of the 2003 Regular Session authorized the Department of Insurance and the Department of Health and Hospitals to establish a pilot health insurance program for small employers – LaCHOICE. LaCHOICE is a health insurance program designed to increase access to affordable health insurance for small employers. Commercial insurers may offer the plan to small employers who have 50 or fewer employees and have not offered health insurance benefits to their employees in the previous six months.

Act No. 813 of the 2003 Regular Session directed the Department of Health and Hospitals to develop a Health Insurance Flexibility and Accountability (HIFA) waiver proposal for approval by the Joint Legislative Committee on the Budget during the 2004 Regular Session. The Joint Legislative Committee on the Budget approved this proposal during the 2004 session. LaCHOICE will be included as a component of a HIFA waiver application to the Centers for Medicare and Medicaid Services. The use of a federal waiver as the vehicle to fund LaCHOICE allows Louisiana to use federal funds to supplement the payment of the insurance premium up to 50 percent.



During the development process, the original LaCHOICE work group merged with the HIFA Waiver Advisory Task Force in order to focus on the development of the HIFA waiver. Members of the original work group consisted of insurance carriers, consumer representatives, health care providers and Louisiana Health Care Commission members.

Act No. 751 of the 2004 Regular Session further outlines specific requirements and details including eligibility criteria for participation in the LaCHOICE program.

#### **TASK FORCE ON THE WORKING UNINSURED**

Senate Concurrent Resolution (SCR) 48 of the 2002 Regular Session of the Legislature created the *Task Force on the Working Uninsured*. The purpose of this task force is to study and make recommendations for providing health coverage to Louisiana's working uninsured citizens. The task force was to conclude its study on January 1, 2004.

House Concurrent Resolution (HCR) 105 of the 2004 Regular Session authorizes the office of health insurance of the department to staff the 25-member task force and also extends the study period to January 1, 2007. The Louisiana Health Care Commission staff will work with the chairperson and members of the task force to complete its mission.

During this reporting period, the Task Force on the Working Uninsured held one meeting on June 14, 2004.

#### **OTHER KEY ISSUES ADDRESSED DURING THE 2003-2004 STUDY PERIOD**

On November 19, 2003, the Louisiana Health Care Commission sent a letter to Governor Kathleen B. Blanco advising her of the work and mission of the Louisiana Health Care Commission. The commission also informed Governor Blanco of the LaCHOICE program and the development of the HIFA waiver.

On April 7, 2004, the Louisiana Health Care Commission sent a letter to Governor Blanco in support of the approval of the HIFA waiver.

The commission adopted a resolution on April 23, 2004, in support of *Covering the Uninsured Week*.

## **OFFICE OF HEALTH INSURANCE...**

### **LOUISIANA HEALTH CARE COMMISSION...**

## **LOUISIANA DEPARTMENT OF INSURANCE ANNUAL HEALTH CARE CONFERENCE**

The Louisiana Department of Insurance, in conjunction with the Louisiana Health Care Commission, held its eighth annual Health Care Conference on September 23, 2003, in Baton Rouge, Louisiana.

Approximately 900 people were in attendance, representing various segments of the health care industry. State and national speakers addressed issues concerning the private insurance market; the effect of regulations on hospitals, physicians and carriers; health care reform efforts; the uninsured, on a state and national level, and focused-care facilities.

## **AGENDA FOR 2004-2005**

During its 2004-2005 study, the Louisiana Health Care Commission plans to:

- » Conduct meetings of the Strategic Planning Subcommittee and the Pharmaceutical Subcommittee.
- » Monitor the progress of the HIFA Waiver and participate in the further development of the LaCHOICE program.
- » Follow the progress of the Governor's Health Care Reform Panel.
- » Participate in the development of the conference agenda for the 2004 ninth annual Health Care Conference, October 12, 2004.
- » Continue monitoring all federal and state legislation and make recommendations accordingly.
- » Follow implementation of the Federal Medicare Prescription Drug Improvement and Modernization Act.
- » Assist the legislative staff of the House and Senate Committees on Insurance to achieve the mission of the Task Force on the Working Uninsured.

## **QUALITY ASSURANCE DIVISION**

### **PURPOSE**

The quality assurance division's responsibility is to assure compliance by Medical Necessity Review Organizations (MNROs) and health insurance issuers in accordance with Chapter 7 and Part VI-D of Chapter 1 of the Louisiana Insurance Code.

The Louisiana Legislature passed Act No. 401 of the 1999 Regular Session, mandating the authorization or licensure of entities making medical necessity determinations (R.S. 22§3070). This law also provides for uniform standards for such organizations, so that all health plans follow the same standards in resolving disputes about determining the medical necessity of health care services. Additionally, internal and external grievance procedures have been established to appeal adverse medical necessity determinations.

Additionally, in 1999, the Louisiana Legislature passed Act No. 1017, Standards for Health Insurance Coverage (R.S. 22§250.31), which establishes procedures and time frames for the payment of health services by both Health Maintenance Organizations (HMOs) and health insurance plans. The division investigates provider and consumer complaints against insurance companies when medical claims are not paid timely. The division also assures compliance by all health insurance issuers of standards regarding notices and disclosures outlined in Act No. 1157, the Health Care Consumer Billing and Disclosure Protection Act of 2003 (R.S. 22§250.41).

The mission of the quality assurance division is to establish and enforce procedures for continuous review of quality care, performance of providers and the utilization of health services. Included in these measures are assessments, fines, and grounds for revocation or suspension of licensure for MNROs and health insurance issuers not in full compliance with the law. This division is committed to regulating the quality of health care coverage for the citizens of Louisiana fairly and efficiently, while setting standards to accomplish this goal.

### **APPLICATIONS/LICENSURE**

Any applicant for licensure as a MNRO must submit an application to the commissioner of insurance on a form designated by the Department of Insurance and accompanied by any supporting documentation required by the commissioner. Health insurance issuers are not required to pay the licensing fee; however, any entity other than a health insurance issuer that applies for licensure must pay an initial licensure fee as specified in Section 6211(D) of Regulation 77. The division continues to receive and review MNRO applications and make recommendations for licensure.

**PROCESS FOR APPROVAL OF MNRO LICENSE/AUTHORIZATION**

- » Original application is sent to company licensing to review for completeness.
- » After Licensing receives appropriate information, a copy of the application is forwarded to the quality assurance division and the fraud division for review.
- » Once all information is received and is deemed a complete application by the quality assurance division, the application is sent to the licensing division, recommending approval of the application.
- » After reviewing the recommendations of the quality assurance division and the fraud division, company licensing will route the application to the appropriate authorities of the company licensing and compliance division, the office of health insurance, the Insurance fraud division, the legal division and the office of management and finance for final approval.
- » The actual licensing of a MNRO or authorization of a health insurance issuer as a MNRO is processed by the company licensing section of the office of licensing and compliance.

**ANNUAL REPORTS**

In the third quarter of FY2003-2004, the Quality Assurance Division began reviewing MNRO annual reports in accordance with R.S. 22§3075(B). Annual reports and applications are both considered “filings” and reported below in Table 27 as a combined total. MNROs and health insurance issuers submit annual reports to the Department of Insurance listing the number of medical necessity reviews and the resolution of these reviews.

**TABLE 27**

**ACTIVITIES OF QUALITY ASSURANCE DIVISION  
APPLICATIONS/ANNUAL REPORTS/EXAMINATIONS**

---

Total Applications/Annual Reports Received	145
Number of Applications/Annual Reports Approved	112
Total Applications Pending Final Action	34
Total Examinations Completed	16

## **EXAMINATIONS**

Pursuant to R.S. 22§3091(A), the commissioner has authority to examine the affairs of any MNRO or health insurance issuer as often as necessary but not less frequently than once every three years. The division developed procedures for examining MNROs in the fourth quarter of 2002-2003 Fiscal Year and began actual MNRO examinations in the 2003-2004 Fiscal Year.

## **COMPLAINTS**

In addition to reviewing MNRO applications and annual reports, the quality assurance division processed complaints concerning medical necessity and timely payment of claims during the 2003-2004 Fiscal Year.

### **ACTIVITIES OF QUALITY ASSURANCE DIVISION COMPLAINT INVESTIGATIONS REVIEWED**

**TABLE 28**

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Total Complaints Received	177
Total Complaints Concluded	198
Total Complaints Pending after June 30, 2004	29
Total Benefits & Refunds Recovered	\$232,933
Total Prompt Pay Interest Payments Recovered	\$13,926
Total Fines Levied	\$500

### **ACTIVITIES OF QUALITY ASSURANCE DIVISION PUBLIC SERVICE ASSISTANCE**

**TABLE 29**

---

Total Telephone Calls Handled	3,085
Total Publications Distributed	162
Total Workshops/Presentations Conducted	11
Total Interviews/Presentations Conducted	12
Total Responses to Inquiries Handled	138

## **LOOKING AHEAD**

During the next fiscal year, the quality assurance division will continue to enforce the provisions of Chapter 7, Medical Necessity Review Organizations and Part VI-D of Chapter 1, Standards for Health Insurance Coverage, of the Louisiana Insurance Code. To accomplish this goal, the division will follow a detailed reporting process in conjunction with its examination process to assure compliance by all Medical Necessity Review Organizations and health insurance issuers.

MNROs and health insurance issuers found not in full compliance with the provisions of Chapter 7 and Part VI-D of Chapter 1 may be assessed a monetary penalty by the commissioner of insurance and/or face suspension or revocation of the health insurance issuer's certificate of authority or the license of the MNRO to operate in this state.

This division will continue to enforce the provisions of Part VI-E of Chapter 1 of Title 22, Health Care Consumer Billing and Disclosure Protection Act, to assure compliance by all health insurance issuers of standards regarding billing notices and disclosures.

Act No. 671 authorized the Department of Insurance to enforce provisions enacted during the 2004 Regular Session of the Legislature as Part I of Chapter 1 of Title 22, Health Care Provider Credentialing, to provide for a credentialing process for health insurance issuers who contract directly with health care providers for health care services. The Department of Insurance is further authorized to promulgate rules and regulations pursuant to the provisions of this act to establish reasonable requirements and standards for the processing of health care provider credentialing application forms by health insurance issuers. The quality assurance division will assure compliance to these regulations by all health insurance issuers.

Act No. 876 authorized the Department of Insurance to enforce provisions enacted during the 2004 Regular Session of the Legislature as Part VI-F of Chapter 1 of Title 22, Standards for Pharmacy and Pharmacist Claims. The division will assure compliance by all health insurance issuers to this act by enforcing its provisions, which are relative to the prompt payment of health insurance claims submitted by pharmacies or pharmacists. Any health insurance issuer, agent or third party found in violation of this Part may be assessed a monetary penalty by the commissioner of insurance and/or face suspension or revocation of the health insurance issuer's certificate of authority.

## SENIOR HEALTH INSURANCE INFORMATION PROGRAM (SHIIP)

In addition to the other services offered consumers, specialized services are available to senior citizens and Medicare beneficiaries through the SHIIP (Senior Health Insurance Information Program). SHIIP recruits and trains counselors, statewide, on: Medicare, Medicare Supplement (Medigap), Medicare Plus Choice Organizations, long-term care insurance and other types of health insurance. The counselors, in turn, provide related information to senior citizens in all areas of the state.

The health insurance counseling program is a volunteer education and protection program that is reliant upon a network of sponsoring organizations across the state, primarily Councils on Aging and Area Agencies on Aging. Prior to establishment of the ICA (Insurance Counseling Assistance) grants program, insurance counseling, claims filing assistance and the provision of information of Medicare and Medicaid were not available on a statewide basis to Louisiana's more than 600,000 Medicare beneficiaries.

### STATISTICAL SUMMARY OF ASSISTANCE PROVIDED TO SENIOR CITIZENS BY THE SHIIP PROGRAM AND VOLUNTEER COUNSELORS

TABLE 30

Number of Hours Used by Volunteer Counselors	2,018
Number of Individuals Assisted by Counselors	9,291
Amount of Savings to Individuals Counseled	\$772,149
Number of Publications Disseminated	63,811
Presentations Conducted	151
Number of Individuals in Attendance at Presentations	7,265
Number of Initial and Follow-up Training Sessions	3

# QUALITY MANAGEMENT INSURANCE CONTRACTS AND FORMS DIVISION

## PURPOSE

This division performs detailed analyses and reviews of major medical plans and insurance and health maintenance organization (HMO) contract form filings related to products proposed for marketing and issue to the public. Such filings include policy forms, rates and advertising. The division's emphasis is:

- » Compliance with all applicable state and federal laws, rules and regulations.
- » Prohibiting any inconsistent, ambiguous or misleading language, text or format.
- » Assuring that any exceptions and/or conditions affecting the risk are clearly stated and reasonable.
- » Determining that advertising and marketing plans are not deceptive.

This division also examines and manages insurers' plans for replacing a particular health insurance product or discontinuing business altogether in the individual, small or large employer group markets. The division's emphasis is:

- » Assuring consumer protection of all affected Louisiana citizens to the extent required by law.

## IMPLEMENTATION

This division implements its statutory authority over major medical plans and insurance and health maintenance organization (HMO) contract form filings by accomplishing the following:

- » Approving, disapproving and/or withdrawing prior approval on health benefit plan filings.
- » Negotiating corrective action to assure that consumers negatively affected by outdated and improper policy forms are made whole.
- » Pursuing administrative sanction where necessary to protect the public.
- » Providing information and technical assistance to insurers, health maintenance organizations and plan administrators. Improving procedures and requirements in order to expedite the filing, review and approval processes.



## OFFICE OF HEALTH INSURANCE...

- » Promulgation of Regulation 78 – Policy Form Filing Requirements - This regulation brings all requirements for policy form filings into one concise and coherent document, corrects the disparate time periods allowed for review of policy form filings, establishes procedures for withdrawal of approval, mandates notice of discontinuation of a product, and allows for an expedited certified approval process. It also includes general requirements and requires health insurance issuers to complete a Statement of Compliance identifying where the filing is in compliance with applicable requirements of law.
- » Policy Form Matrix (PFM) - The PFM houses over 300 specifically defined health insurance product codes linked to hundreds of legal requirements for policy form, rate and advertising content, marketing and administration. Available to health insurance issuers via the Internet, the PFM generates a unique Statement of Compliance, listing only those legal requirements applicable to a specific product type.

This division implements its statutory authority over major medical plan and insurance and health maintenance (HMO) contract form discontinuations by accomplishing the following:

- » Reviewing proposed notices of nonrenewal and the products to be nonrenewed to assure that proper notice is provided to all parties in accordance with the requirements of law, or the terms and provisions of existing contracts, whichever is more favorable to the policyholders.
- » Monitoring all insurers exiting a market or markets in order to prohibit reentry for a period of five years from the date the last coverage is nonrenewed.

This division verifies the manner in which health insurance issuers exercise the right to discontinue offering coverage in the various health insurance “markets” subject to HIPAA regulation. Short-term major medical and all forms of limited benefit products are excepted from this regulation.

- (1) The LARGE GROUP MARKET consists of comprehensive health coverage sold to employer groups with more than 50 employees.
- (2) The SMALL GROUP MARKET is made up of comprehensive health coverage sold to employer groups with 2 - 50 employees.
- (3) The INDIVIDUAL MARKET includes employer groups with only one employee and all comprehensive health coverage sold to individuals, with or without dependents, or to special groups without employer involvement (blanket policies).
- (4) The ASSOCIATION MARKET restricts eligibility for coverage to members of a bona fide association. Such comprehensive health coverage may be made available to individual members or to employees of employers that are members.

## OFFICE OF HEALTH INSURANCE...

### QUALITY MANAGEMENT INSURANCE CONTRACTS AND FORMS DIVISION...

Health insurance issuers must furnish notices to individuals, plan sponsors and participants at least 90 days prior to nonrenewing a particular type of product and include an offer of replacement coverage on a guaranteed-issue basis.

Minimum notice of 180 days is required prior to nonrenewal of all business within a market or markets. Issuers that choose to discontinue renewal of all coverage in one or more of the various markets are prohibited from reentering the affected market(s) for a period of five years from the date the last coverage is nonrenewed

There were no company withdrawals in the health insurance market in Louisiana during the 2003 – 2004 Fiscal Year. See Tables 31 and 32 for the group and individual health insurance carriers by “percentage of market share” in Louisiana for the 2003 Calendar Year.

**TABLE 31**

#### **GROUP HEALTH INSURANCE MARKET SHARE CALENDAR YEAR 2003**

<i>Company Name</i>	<i>% Of Market</i>
Blue Cross and Blue Shield of Louisiana	30.2%
Ochsner Health Plan HMO	19.7%
United Healthcare HMO	11.3%
HMO of Louisiana	10.4%
Coventry Health Care of Louisiana HMO	9.2%
United Healthcare Insurance Co.	7.2%
Health Plus of Louisiana HMO	2.8%
Vantage Health Plan, Inc.	2.1%
Aetna Life	1.7%
New York Life Insurance Co.	0.9%
Principal Life Insurance Co.	0.7%
Trustmark	0.7%
Unicare Life & Health Insurance Co.	0.6%
Pacific Life & Annuity Co.	0.3%
All Others	2.2%

The quality management insurance contracts and forms division is responsible for determining the amount of health insurance premiums subject to assessment pursuant to R.S. 22§250.10. Only that portion of health insurance business subject to HIPAA regulation is assessable. Staff is able to confirm any premiums deemed “excepted” from assessment based upon the type of health insurance coverage written upon approved policy forms.

Health insurance premiums collected during the 2003 Calendar Year that were subject to assessment totaled \$2,526,275,385. These premiums were assessed at 0.033 of 1.00 percent. A total of \$741,940 has been collected from 148 insurers.

**INDIVIDUAL HEALTH INSURANCE MARKET SHARE  
CALENDAR YEAR 2003**

**TABLE 32**

<i>Company Name</i>	<i>% Of Market</i>
Blue Cross and Blue Shield of Louisiana	59.7%
HMO of Louisiana	15.3%
Ochsner Health Plan HMO	8.2%
Fortis Insurance Co.	4.0%
Mid-West National Life Insurance Co.	2.2%
Mega Life & Health Insurance Co.	1.8%
Physicians Mutual	1.7%
State Farm	1.6%
Mutual of Omaha	0.6%
American National Life Insurance Co.	0.5%
Celtic Life Insurance Co.	0.5%
All Others	3.9%

## SUPPLEMENTAL HEALTH PRODUCTS DIVISION

### **PURPOSE**

The supplemental health products division is responsible for performing detailed analyses and reviews of Medicare supplemental benefit plan filings. This division is also responsible for the review and approval of all limited benefit plan filings to assure compliance with all state filing procedures. Examiners in this division can assist with the interpretation of statutes, rules and regulations, filing procedures and fees, and the status request on pending filings, as well as answer inquiries and conduct investigations of consumer complaints relative to limited benefit and supplemental health insurance products. The division's emphasis is:

- » Enforcing compliance with all applicable state and federal laws, rules and regulations.
- » Prohibiting any inconsistent, ambiguous or misleading language, text or format.
- » Determining that advertising and marketing plans are not deceptive.
- » Monitoring for unfair trade or unfair claims settlement practices.
- » Educating the public and health insurance industry regarding legal rights, obligations and requirements.

### **IMPLEMENTATION – MEDICARE SUPPLEMENTAL BENEFIT PLAN FILINGS**

This division implements its statutory authority over Medicare supplemental benefit plan filings and provides direct assistance and protection to consumers regarding benefits covered, proper payment of claims and refunds, advertising, marketing, underwriting, changes in coverage, covered services, contractual terms, and provisions, and policyholder services by accomplishing the following:

- » Approving, disapproving, and/or withdrawing prior approval of Medicare supplemental benefit plan filings.
- » Negotiating corrective action to assure that consumers negatively affected by outdated and improper policy forms are made whole.
- » Pursuing administrative sanction where necessary to protect the public.
- » Providing technical assistance to insurers and plan administrators in the revision of filings to assure compliance as well as appropriate administration of coverage.

- » Investigating formal complaints involving underwriting, premium and rating, cancellation/nonrenewal, discrimination, marketing practices, claims handling and policyholder services of Medicare supplemental benefit plan filings.
- » Evaluating detailed findings of complaint investigations, recommending corrective actions and overseeing implementation of these actions.
- » Determining violations of law and initiate disciplinary actions including suspension or revocation of authority or license, monetary fines, cease and desist orders, consent judgments, directives, and withdrawal or denial of contract form approval.
- » Providing clarification, direction, information and assistance to inquiries and concerns expressed by the public and industry.
- » Promulgation of Regulation 78 – Policy Form Filing Requirements - This regulation brings all requirements for policy form filings into one concise and coherent document, corrects the disparate time periods allowed for review of policy form filings, establishes procedures for withdrawal of approval, mandates notice of discontinuation of a product, and allows for an expedited certified approval process. It also includes general requirements and requires health insurance issuers to complete a Statement of Compliance identifying where the filing is in compliance with applicable requirements of law.
- » Policy Form Matrix (PFM) - The PFM houses over 300 specifically defined health insurance product codes linked to hundreds of legal requirements for policy form, rate and advertising content, marketing and administration. Available to health insurance issuers via the Internet, the PFM generates a unique Statement of Compliance, listing only those legal requirements applicable to a specific product type.

This division implements its statutory authority over Medicare supplemental benefit plan discontinuations by accomplishing the following:

- » Reviewing proposed notices of nonrenewal and the products to be nonrenewed to assure that proper notice is provided to all parties in accordance with the requirements of law or the terms and provisions of existing contracts, whichever is more favorable to the policyholders.
- » Monitoring all insurers exiting a market or markets in order to prohibit reentry for a period of five years from the date the last coverage is nonrenewed.

## **IMPLEMENTATION – LIMITED BENEFIT PLAN FILINGS**

This division implements its statutory authority over limited benefit plan filings and provides direct assistance and protection to consumers regarding benefits covered, proper payment of claims and refunds, advertising, marketing, underwriting, changes in coverage, covered services, contractual terms and provisions, and policyholder services by accomplishing the following:

- » Performing expedited approval of a complete filing based upon the inclusion of a Statement of Compliance and a Certification of Compliance executed by an officer or authorized representative of the filing insurer on a form prescribed by the department.
- » Approving, disapproving, and/or withdrawing prior approval of limited benefit filings that do not meet the requirements for an expedited approval.
- » Conducting retrospective reviews of previously approved limited benefit plan filings to determine compliance with applicable law.
- » Negotiating corrective action to assure that consumers negatively affected by outdated and improper policy forms are made whole.
- » Pursuing administrative sanction where necessary to protect the public.
- » Providing technical assistance to insurers and plan administrators in the revision of filings to assure compliance as well as appropriate administration of coverage.
- » Investigating formal complaints involving underwriting, premium and rating, cancellation/nonrenewal, discrimination, marketing practices, claims handling and policyholder services of Medicare supplemental benefit plan filings.
- » Evaluating detailed findings of complaint investigations, recommending corrective actions and overseeing implementation of these actions.
- » Determining violations of law and initiate disciplinary actions including suspension or revocation of authority or license, monetary fines, cease and desist orders, consent judgments, directives, and withdrawal or denial of contract form approval.
- » Providing clarification, direction, information and assistance to inquiries and concerns expressed by the public and industry.

- » Promulgation of Regulation 78 – Policy Form Filing Requirements - This regulation brings all requirements for policy form filings into one concise and coherent document, corrects the disparate time periods allowed for review of policy form filings, establishes procedures for withdrawal of approval, mandates notice of discontinuation of a product, and allows for an expedited certified approval process. It also includes general requirements and requires health insurance issuers to complete a Statement of Compliance identifying where the filing is in compliance with applicable requirements of law.
- » Policy Form Matrix (PFM) - The PFM houses over 300 specifically defined health insurance product codes linked to hundreds of legal requirements for policy form, rate and advertising content, marketing and administration. Available to health insurance issuers via the Internet, the PFM generates a unique Statement of Compliance, listing only those legal requirements applicable to a specific product type.

**ACTIVITIES OF THE QUALITY INSURANCE CONTRACTS & FORMS AND  
SUPPLEMENTAL HEALTH PRODUCTS DIVISIONS  
RELATIVE TO POLICY FORMS**

**TABLE 33**

Total Policy Forms Received	5,322
Total Advertisements Received	550
Total Rate Filings Received	1,101
Total Forms & Advertisements Closed	5,755
Number Approved	2,292
Number Certified	1,432
Number Disapproved/Approval Withdrawn	1,853
Number Withdrawn by Company	178
Total Rate Filings Reviewed	942
Number Approved	851
Number Disapproved/Approval Withdrawn	85
Number Withdrawn by Company	6
Total Telephone Calls & Walk-Ins Handled	2,924
Total Written Responses to Inquiries	80

**Note:** This table contains data in aggregate for the quality insurance contracts & forms division and the supplemental health products division.

**TABLE 34** **NUMBER OF HEALTH POLICY FORM FILINGS  
BY COVERAGE TYPE – 3-YEAR HISTORY**

*(Total Number of Forms, Medicare Supplement Insurance Advertisements and/or Rates)*

<b>Comprehensive Coverage Type</b>	<u>2001-2002 Fiscal Year</u>		<u>2002-2003 Fiscal Year</u>		<u>2003-2004 Fiscal Year</u>	
	<i>form filings</i>	<i>all forms</i>	<i>form filings</i>	<i>all forms</i>	<i>form filings</i>	<i>all forms</i>
Major Medical	222	1,066	187	1,558	281	875
HMO	26	158	50	289	74	388
Short-Term Major Medical	9	45	4	18	14	115
Stop-Loss/Excess	69	379	4	15	39	165
<b>Limited Benefit Coverage Types</b>						
Medicare Supplement/Select	393	1,851	373	1,537	519	2,296
Disability	162	896	157	1,281	180	693
Cancer/Dread Disease	73	279	43	224	92	175
Dental	59	318	49	305	74	274
Accidental Death & Dismemberment	79	471	63	446	47	167
Accident Only	105	772	70	752	108	481
Hospital Indemnity	86	376	49	322	110	266
Critical Illness	40	174	25	124	27	105
Vision	21	118	8	29	6	19
Credit Accident & Health	4	11	15	174	15	58
Prescription Drug	1	5	9	34	4	8
Miscellaneous	65	263	60	541	141	888
<b>Totals</b>	<b>1,414</b>	<b>7,182</b>	<b>1,166</b>	<b>7,649</b>	<b>1,803</b>	<b>6,973</b>

Explanation and definitions: A policy form “filing” includes one or more of the following “forms”:

- (1) Group Products – Master policy with individual certificates, group application and enrollment forms.
- (2) Individual Products – Individual contract and application.

Both types of products include endorsement or rider forms for optional benefits, schedule of benefit forms, sample ID cards, premium rates and classification of risks.

- (3) Medicare Supplement/Select filings also include advertising materials.

**Note:** This table contains data in aggregate for the quality management insurance contracts & forms division and the supplemental health products division.



# HIPAA QUALITY MANAGEMENT CONSUMER AFFAIRS DIVISION

## PURPOSE

This division provides direct assistance and protection to consumers and health care providers regarding benefits covered, timely and proper payment of claims and refunds, advertising, marketing, underwriting, changes in coverage, access to managed care providers and covered services, contractual terms and provisions, and policyholder services. The division's emphasis is:

- » Overseeing compliance with all applicable state and federal laws, rules and regulations.
- » Monitoring for unfair trade or unfair claims settlement practices.
- » Educating the public and health insurance industry regarding legal rights, obligations and requirements.

## IMPLEMENTATION

This division implements its statutory authority by:

- » Investigating formal complaints involving health insurance underwriting, premium and rating, cancellation/nonrenewal, discrimination, marketing practices, claims handling, and policyholder services.
- » Evaluating detailed findings of complaint investigations, recommending corrective actions and overseeing implementation of these actions.
- » Determining violations of law and initiating disciplinary actions including suspension or revocation of authority or license, monetary fines, cease and desist orders, consent judgments, directives, and withdrawal or denial of contract form approval.
- » Providing clarification, direction, information, and assistance to inquiries and concerns expressed by the public and industry.

TABLE 35

**ACTIVITIES OF THE HIPAA QUALITY MANAGEMENT CONSUMER  
AFFAIRS AND SUPPLEMENTAL HEALTH PRODUCTS DIVISIONS  
RELATIVE TO COMPLAINT INVESTIGATIONS**

Total Complaint Investigations Received	1,166
Total Complaint Investigations Closed	1,037
Amount of Benefits & Refunds Recovered	\$651,422
Amount of Fines Levied for Failure to Respond Timely to a Complaint	\$1,000
Public Presentations Held	12
Publications Distributed	794
Telephone Calls Handled	16,463
Face-to-Face Interviews Conducted	57
Total Written Responses to Inquiries	729

**Note:** This chart includes data from the quality management consumer affairs division and the supplemental health products division.

## ANNUAL CONSUMER COMPLAINT REPORT

### OFFICE OF HEALTH INSURANCE

#### R.S. 22§1219 REPORT BY THE COMMISSIONER

*The commissioner of insurance shall annually submit a report to the Senate and House of Representatives Committees on Insurance relative to complaints received and actions taken pursuant to the provisions of this Part. Such report shall contain information relative to the number of complaints received, and the disposition of same, the amount collected in penalties, the cost of all related proceedings, and such other information as the commissioner deems pertinent or the insurance committees shall request.*

For the purposes of this reporting requirement, the information in this section reflects complaint data in the aggregate from three divisions of the office of health insurance:

- (1) quality management consumer affairs
- (2) supplemental health products
- (3) quality assurance.

Collectively, these divisions service and assist consumers and providers with complaints relative to various coverage types of health insurance.

Consumers filed an increased number of complaints with the Department of Insurance. The number of complaints received and investigated regarding health insurance and HMO plans during the 2003-2004 Fiscal Year increased by 151 complaints from the prior fiscal year. HMO plans received 23.3% of the total number of complaints filed, compared to 22% for major medical indemnity plans and 23.1% for self-funded employee welfare benefit plans. This is representative of the larger market share held by HMOs.

The primary reasons given for filing complaints involve claims handling disputes such as delays, denials and insufficient amount of benefits paid. Our compliance examiners were able to resolve the vast majority of such complaints in favor of complainants, resulting in **\$898,281** recovered for consumers and providers in benefits, refunds and prompt pay interest. The health office levied and collected \$1,500 in fines for *failure to timely respond to a complaint*. (See Tables 28 and 35 for classifications by divisions.)

The following statistical reports will demonstrate complaint activities involving the various types of health insurance.

TABLE 36

**HEALTH INSURANCE COMPLAINT  
STATISTICS REPORT BY COVERAGE TYPE**

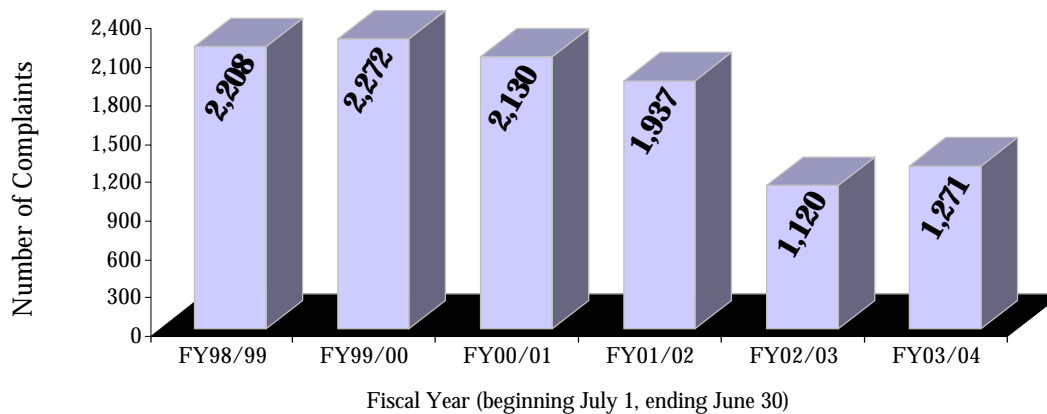
<i>Coverage Type</i>	<i>Total Filed</i>	<i>% Of Total</i>
HMO	296	23.3%
Self-Funded EWBP*	222	17.5%
Individual Major Medical	129	10.1%
Group Major Medical	151	11.9%
Disability	121	9.5%
Medicare Supplement/Select	52	4.1%
Medicare + Choice	31	2.4%
State Employees Office of Group Benefits	71	5.6%
Cancer/Dread Disease	64	5.0%
Hospital Indemnity	31	2.4%
Dental Only	48	3.8%
Accident Only	13	1.0%
Credit Accident & Health	3	0.3%
Stop Loss/Excess	0	0.0%
All Other	39	3.1%
<b>Totals</b>	<b>1,271</b>	<b>100%</b>

\*EWBP (Employer Welfare Benefit Plans)

There is a significant reduction of health insurance complaints in the last two fiscal years in comparison to previous years. This is a reflection of the high number of complaints filed with the department from FY1998-1999 through FY2001-2002 relative to failing health insurance companies such as The Oath.

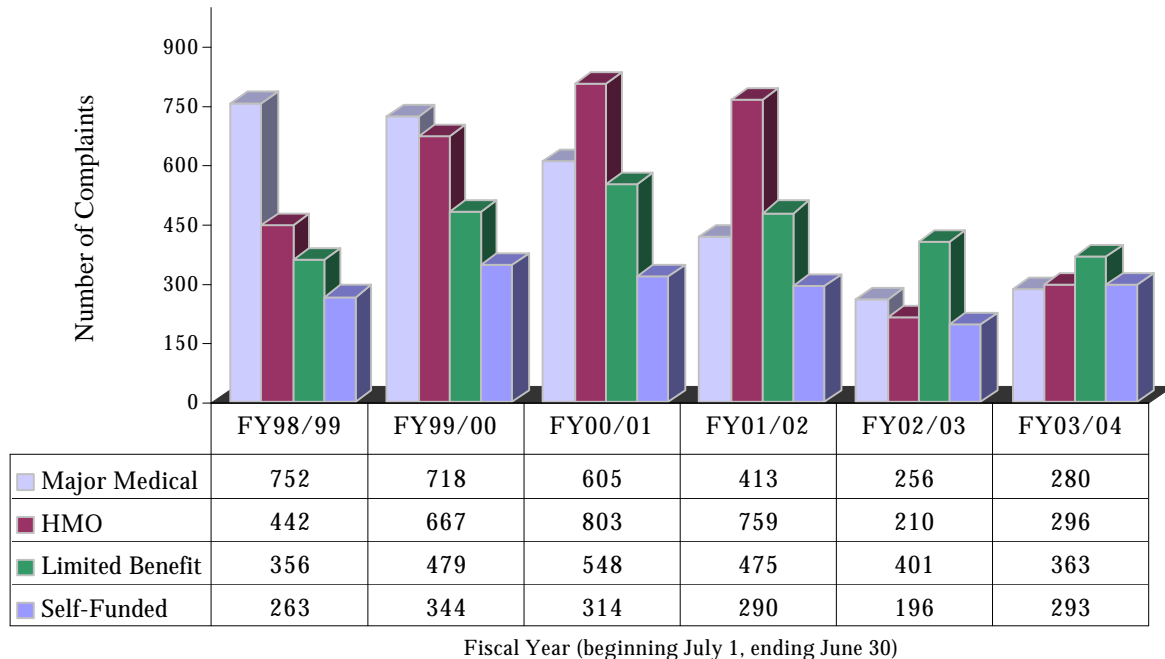
**HEALTH INSURANCE COMPLAINT STATISTICS**  
**TOTAL NUMBER OF ALL COMPLAINTS**  
**6-YEAR HISTORY**

**CHART 10**



**HEALTH INSURANCE COMPLAINT TOTALS**  
**By Coverage Type**  
**6-YEAR HISTORY**

**CHART 11**



Major Medical – Group & Individual  
 Health Maintenance Organization – Group & Individual  
 Limited Benefit Plans – Medicare Supplement/Select, Disability, Credit Accident & Health,  
 Cancer/Dread Disease, Dental, Hospital Indemnity, Accident Only, etc.  
 Self-Funded – Single Employer sponsored Employee Welfare Benefit Plans

**Note:** This chart contains data in aggregate for the quality management consumer affairs, the supplemental health products and the quality assurance divisions.

**PRIMARY REASONS FOR CONSUMER  
HEALTH INSURANCE COMPLAINTS FILED**

**TABLE 37**

<i>Complaint Reason</i>	<i>No. Received</i>
Claim Denial	478
Claim Handling Delay	232
Insufficient Benefit Payment	220
Premium Rating	64
Refunds Issued	52
Claim Handling/Other	49
Cancellation/Non-Renewal	30
Policy Service/Other	25
Medical Necessity	22
Access to Care	16
All Others*	83

\* "All Others" involves fewer than 15 complaints per disposition.

**TOP COMPLAINT DISPOSITIONS REACHED FOR  
HEALTH INSURANCE COMPLAINTS CLOSED**

**TABLE 38**

<i>Disposition</i>	<i>No. Closed</i>
Company Position Upheld	361
No Jurisdiction	289
Claim Settled	277
Resolved Other	110
Refund Issued	32
Insufficient Information	32
All Others*	95

\* "All Others" involves fewer than 20 complaints per disposition plus 44 complaints referred to the Office of Group Benefits.

TABLE 39

**HEALTH MAINTENANCE ORGANIZATION  
CONSUMER & PROVIDER COMPLAINTS**

<i>Rank</i>	<i>Name</i>	<i>No. Complaints</i>
1	United Healthcare of Louisiana, Inc.	186
2	Humana Health Plan (formerly Ochsner Health Plan)	141
3	Coventry Health Care of Louisiana, Inc.	56
4	HMO of Louisiana, Inc.	41
5	Aetna Health, Inc.*	6
5	Health Plus of Louisiana, Inc.	6
6	Vantage Health Plan, Inc.	5
7	Sterling Life	4
7	Tenet Choices, Inc.	4
8	Cigna Healthcare of Louisiana*	2
<b>Total</b>		<b>451</b>

\* These HMOs have discontinued offering coverage and have provided the required minimum 120 day notices of nonrenewal to all plan sponsors and participants.



**MAJOR MEDICAL INSURANCE  
CONSUMER & PROVIDER COMPLAINTS**

**TABLE 40**

<i>Rank</i>	<i>Name</i>	<i>No. Complaints</i>
1	Blue Cross and Blue Shield of Louisiana, Inc.	163
2	United HealthCare of Louisiana, Inc.	39
3	UNUM Life Insurance Company of AM	20
3	Colonial Life and Accident Insurance Co.	20
4	Mid-West National Life Insurance Co.	14
4	American Family Life Insurance Co.	14
5	Central United Life Insurance Co.	13
5	Mega Life and Accident Insurance Co.	13
6	American Heritage Life Insurance Co.	12
7	Starmount Life Insurance Co.	11
8	Conseco Insurance Co.	10
8	Metropolitan Life Insurance Co.	10
9	Fortis Insurance Co.	9
X	Remainder equals fewer than 7 complaints per company	281
<b>Total</b>		<b>629</b>

**Note:** An additional 222 complaints were received and investigated involving self-funded Employee Welfare Benefit Plans (EWBP). This number includes 71 complaints received against the Office of Group Benefits.

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# **2003-2004**

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**OFFICE OF  
MINORITY AFFAIRS**

**LOUISIANA DEPARTMENT OF INSURANCE**

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# OFFICE OF MINORITY AFFAIRS

## ANNUAL REPORT

R.S.22§1921(5) REPORT BY THE OFFICE OF MINORITY AFFAIRS

*To submit an annual report by April first of each year to the House and Senate Insurance Committees relative to educational and informational services made available to minorities, the number and types of inquiries and all available relevant information from applicants and producers.*

### LEGISLATIVE BACKGROUND

In 1984, the governor signed into law Act No. 850 creating the Office of Minority Affairs (R.S. 22§1921 and 22§1922). This Act is the regulatory umbrella to assure “Equal Opportunity In Insurance” for the citizens of Louisiana.

In 1992 and 1993, the Louisiana State Legislature, Acts No. 377 and No. 380, revised and reenacted the authorizing legislation to expand the scope and duties of the Office of Minority Affairs and its board of directors – the Advisory Committee on Equal Opportunity. The importance and impact on the business of insurance by the Office of Minority Affairs is outlined below.

### PURPOSE

The purpose of the Office of Minority Affairs is to assist small, minority and disadvantaged insurance agencies and producers by providing educational and informational services to foster a greater awareness of the opportunities available in the insurance industry, as well as the skill, training and education necessary to prepare for opportunities in employment, appointment as producers and contracting for services with insurance companies. Emphasis is placed on:

- » Conducting a survey every two years to document statistical information concerning the number of minorities employed in industry related professional level jobs, with the goal of expanding the number of minority and disadvantaged persons in the insurance industry.
- » Training programs for small, disadvantaged and minority agencies and producers.
- » Increasing insurance information services to small and disadvantaged minority groups.
- » Increasing number of contracts for small agencies, minority and disadvantaged producers with emphasis on life and health.
- » Publishing a quarterly minority and disadvantaged producer newsletter.

## **IMPLEMENTATION**

- » Updating agency information questionnaires and conducting surveys to locate more small agencies, minority and disadvantaged producers.
- » Launching an new department Web site link, “Minority Employment Information Center,” to assist in recruiting more minority producers, underwriters and insurance industry employees.
- » Acquiring more standard contracts for minority producers with standard companies.
- » Conducting training programs for minority and disadvantage producers to provide them with knowledge on various topics of the insurance and business fields.
- » Working continuously with university personnel to add new courses to the *Beginner Insurance Curriculum*.
- » Working to increase the number of minorities and other disadvantaged groups receiving current insurance information through personal visits, seminars, conferences, meetings, job fairs, quarterly newsletter, etc.

## **MEMBERSHIP OF THE ADVISORY COMMITTEE ON EQUAL OPPORTUNITY**

The Advisory Committee on Equal Opportunity is composed of 15 members, representing a diverse cross section of experts from the insurance industry, universities and trade and professional associations — both state and national.

These distinguished members are responsible for assisting small and disadvantaged agencies and producers throughout the state in their efforts to receive insurance company contracts and company appointments. They closely monitor discrimination and unfair trade practices on the part of insurance companies and contract employees. Another charge of the Advisory Committee on Equal Opportunity is to assist in creating and promoting educational programs for producers and minorities to help them better understand the business of insurance.

## **HIGHLIGHTS OF 2003-2004**

- » Published the minority affairs quarterly newsletter and distributed it to small, minority agencies and disadvantaged producers throughout the state.
- » Implemented the new Employment Information Center and made it accessible via the Department of Insurance Web site.
  - » Nineteen companies and agencies in Louisiana agreed to post their vacant positions on the department Web site.
  - » Numerous positions were posted on the Web site, and the Office of Minority Affairs assisted 18 producers in receiving contracts with insurers and 6 people with obtaining employment in the insurance industry.
- » Sponsored two minority seminars to assist minorities and the disadvantaged with contracts, continuing education and employment issues.

## **AGENDA 2004-2005**

- » Conduct second survey of all companies licensed in Louisiana to document the statistical information concerning the number of minorities employed in industry-related professional level jobs with the goal of expanding the number of minority and disadvantaged persons in the insurance industry.
- » Conduct second survey of the minority churches in the state to collect and evaluate information relative to the number of *under insured* people within the population of Louisiana's minority churches.
- » Expand producer and consumer education and informational services to other ethnic groups beginning with the Hispanic communities where materials published in Spanish, plus an interrupter available to aide in communications with Spanish speaking people.
- » Publish the quarterly newsletter for minorities and other ethnic groups.
- » Hold regular meetings with minorities and other ethnic group leaders to better serve the insurance needs of culturally diverse communities.

## OFFICE OF MINORITY AFFAIRS...

- » Continue promoting prelicensing and continuing education courses for insurance producers at Southern University in New Orleans and work toward offering this same series of courses at Grambling in Ruston and Southern University in Baton Rouge in the near future.
- » Continue providing educational seminars and training programs to assist minority and disadvantaged producers and other persons in the insurance industry in their efforts to obtain contacts and employment in the insurance industry.

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### ACTIVITIES OF THE OFFICE OF MINORITY AFFAIRS

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**TABLE 41**

Producers/Agencies Assisted	134
Consumer/Producer Complaints/General Information Handled	83
Complaints Referred to Advisory Committee	1
Trainings/Seminars Conducted	2
Committee Meetings Attended	35
Special Meetings Attended	52
Conferences Attended	14
Job Fairs Attended	10
Special Projects (Surveys) Completed	5

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# **2003-2004**

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## **OFFICE OF RECEIVERSHIP**

**LOUISIANA DEPARTMENT OF INSURANCE**

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# OFFICE OF RECEIVERSHIP

The mission of the office of receivership is to administer the estates of insolvent insurers as efficiently and cost effectively as possible. The goal of the office of receivership is to minimize the impact of insolvency to the taxpayers, policyholders and creditors of these insurer estates in Louisiana.

Pursuant to Part XVI of the Louisiana Insurance Code and under the jurisdiction of the state courts, the office of receivership of the Department of Insurance seeks to maximize insolvent insurer assets and distributes them according to the priority set in law. The office works with the Louisiana Insurance Guaranty Association and the Louisiana Life and Health Insurance Guaranty Association to assure that eligible claims against insolvent insurers are honored to the fullest extent permitted by law.

At the close of the 2003-2004 Fiscal Year, 20 domestic insurers and three foreign insurers in ancillary receivership were open and under the administration of the office. The total amount of cash marshaled for open estates amounted to \$171,379,212.

Tables 42-44 list insurance companies in receivership by:

- » Ancillary Estates Open as of June 30, 2004
- » Domestic Estates Open as of June 30, 2004
- » Estates Closed During Fiscal Year Ended June 30, 2004

**TABLE 42**

**ANCILLARY PROCEEDINGS  
OPEN AS OF JUNE 30, 2004**

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<i>Name of Estate</i>	<i>Domicile State</i>
Interstate Guaranty	Georgia
AmWest Surety Insurance Co.	Nebraska
FarWest Insurance Co.	Nebraska

**DOMESTIC ESTATES  
OPEN AS OF JUNE 30, 2004**

**TABLE 43**

Alliance Casualty and Reinsurance Co.  
 AmCare Health Plans of Louisiana  
 ANA (American National Agents)  
     (includes American Funding & USGA)  
 Blooming Insurance Co.  
 Car Insurance Co.  
     (includes Automotive Financial Services)  
 Cascade Insurance Co.  
 First Columbia Life Insurance Co.  
 Gulf Coast Casualty Insurance Co.  
 Independence Life Insurance Co.  
 Lloyds Assurance of Louisiana  
 The Mid-West Life Insurance Co.  
 National Affiliated Investors Life Insurance Co.  
 North American Indemnity Co.  
 The OATH of Louisiana, Inc.  
 Patterson Insurance Co.  
 Physicians National Risk Retention Group  
 Public Investors Life Insurance Co.  
 Savant Insurance Co.  
 Superior Life Insurance Co.  
 United Agents Insurance Company of Louisiana

**ESTATES CLOSED  
DURING THE FISCAL YEAR ENDED JUNE 30, 2004**

**TABLE 44**

<i>Name of Estate</i>	<i>Closure Date</i>
Colonial Lloyds Insurance Co.	February 18, 2004
Imperial Insurance Co. (ancillary receivership of a California domiciled company)	February 25, 2004

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# 2003-2004

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## ANNUAL REPORT OF THE COMMISSIONER OF INSURANCE

### APPENDICES

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APPENDIX A ..... EXPLANATION OF TERMS

APPENDIX B ..... PROPERTY & CASUALTY INSURANCE

APPENDIX C ..... LIFE, ACCIDENT & HEALTH INSURANCE

APPENDIX D ..... GROUP SELF-INSURANCE FUNDS

APPENDIX E ..... HEALTH MAINTENANCE ORGANIZATIONS

APPENDIX F ..... TITLE INSURANCE

APPENDIX G ..... FRATERNAL INSURANCE

# APPENDIX A

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## EXPLANATION OF TERMS

The following tables show gross direct premium writings in Louisiana, on a **calendar year basis**, for all insurers segregated by line of business, as categorized in the 2002 Annual Statement. These categories do not provide information about specific insurance coverages or classes of insureds. The data contained hereafter may conflict with other areas of the Annual Report due to the treatment of some premiums as nontaxable. Following is a brief description of terms used throughout the appendices.

### GENERAL TERMS

**Direct:** the term used to describes insurance transactions between the consumer and the insurance company before or without regard to reinsurance transactions among insurance companies.

**Domestic:** an insurer formed under the laws of the state of Louisiana.

**Foreign:** an insurer formed under the laws of any other state or territory of the United States or the District of Columbia.

**Loss Ratio:** equals losses incurred divided by premiums earned. This is the best accounting representation of the portion of each premium dollar that has been needed to honor the company's promise to pay claims.

**Losses Incurred:** equals losses paid, plus a year-end estimate of future payments for all current and prior year claims, minus the losses incurred estimate for the preceding year. If these estimates were to be exactly correct, then losses incurred would be the actual cost of all claims on coverage provided during the current year. However, incurred losses reported also includes estimated amounts unpaid for Incurred-But-Not-Reported (IBNR) claims.

**Market Share:** the ratio of direct premiums written by a company to the total direct premiums written by all companies writing that line of business.

**Premium Earned:** premiums written this year and in previous years and, in some instances, premiums to be written in the future for current coverages. It is approximately the pro-rata portion of the premium charged for each policy, for the portion of coverage provided, within the calendar year.

**Premium Written:** usually defined as premiums billed by property and casualty companies. Rules of life insurance accounting require reporting premiums actually collected.

## **APPENDIX A – EXPLANATION OF TERMS...**

### **LINES OF BUSINESS (IN ORDER OF APPEARANCE)...**

**Fire:** written to protect the insured for losses caused by fire and lightning.

**Allied Lines:** frequently written with property insurance such as sprinkler and water damage, windstorm, tornado, and hail. Includes Multiple Peril Crop.

**Farmowners' Multiple Peril:** provides property and casualty protection for farms or ranches for both business and personal losses.

**Homeowners' Multiple Peril:** provides homeowners a broad spectrum of non-liability and liability coverages.

**Commercial Multiple Peril:** provides commercial establishments with a broad spectrum of non-liability and liability coverages.

**Mortgage Guaranty Insurance:** indemnifies a lender from loss if a borrower fails to meet required mortgage payments.

**Ocean Marine:** provides coverage for ocean and inland water transportation exposures; goods or cargo; ships or hulls; earnings; and liability.

**Inland Marine:** provides specialty property coverages relating to articles that may be transported from one place to another, as well as bridges, tunnels, and certain instrumentalities of communication.

**Financial Guaranty:** coverage whereby the insurer generally guarantees the principal and interest payments on a corporate or governmental bond issue.

**Medical Malpractice:** coverage protecting a licensed health care provider or health care facility against legal liability resulting from the death or injury of any person due to the insured's misconduct, negligence, or incompetence in the rendering professional services.

**Earthquake:** coverage for property losses resulting from a sudden trembling or shaking of the earth, including that caused by volcanic eruption. Excluded are losses resulting from fire, explosion, flood or tidal wave following the covered event.

**Group Accident and Health:** a medical and hospitalization insurance plan under which a number of persons and their dependents are insured under a single policy issued to their employer or another common entity.

## **APPENDIX A – EXPLANATION OF TERMS...**

### **LINES OF BUSINESS (IN ORDER OF APPEARANCE)...**

**Credit Accident and Health Coverage:** pays certain debt payments (usually car or home loans) in the event of sickness.

**Other Accident and Health Coverage:** usually issued to individuals, that pays benefits for health care, loss of income or for accidental injury or death.

**Workers' Compensation:** covers an employer's liability for injuries, disability or death to persons in their employment, without regard to fault, as prescribed by Federal workers' compensation laws and other statutes.

**Other Liability Coverage:** protects the insured against legal liability resulting from negligence, carelessness or a failure to act causing property damage or personal injury to others. Can include: General Liability; Umbrella Liability; Professional Liability; Contractor, Construction and Landlord Liability; and Environmental Liability.

**Product Liability Coverage:** protects manufacturers, merchants and distributors against financial loss arising out of legal liability for losses or injury incurred from use of a covered product.

**Auto Liability Coverage:** protects the insured against financial loss because of legal liability for automobile-related injuries or damage to the property of others caused by accidents arising out of ownership, maintenance or use of a motor vehicle.

**Auto Physical Damage:** provides coverage for damage to or loss of policyholder's own automobile arising from collision, theft, fire or vandalism.

**Aircraft:** provides coverage for aircraft (hull) and their contents; aircraft owner's and aircraft manufacturers liability to passengers, airports and other third parties.

**Fidelity Coverage:** provides reimbursement to an employer for losses arising from dishonest or fraudulent acts of employees.

**Surety Coverage:** provides monetary compensation to a third party if the policyholder fails to perform specified acts within a defined time period.

**Burglary and Theft Coverage:** provides for reimbursement to the policyholder for losses due to burglary, robbery or other forms of larceny.

**Boiler and Machinery Coverage:** provides for losses arising from the operation of pressure, mechanical and electrical equipment. Covered losses include damage to the boiler itself, other property damage and business interruption.



## **APPENDIX A – EXPLANATION OF TERMS...**

### **LINES OF BUSINESS (IN ORDER OF APPEARANCE)...**

**Credit Coverage:** indemnifies manufacturers, merchants, or other providers of goods and services extending credit, for losses or damages resulting from the nonpayment of debts owed to them for goods or services provided in the normal course of their business.

**Aggregate Write-Ins:** coverages not generally described above (e.g., Involuntary Unemployment Insurance, Automobile Warranty, etc.).

**Life Insurance:** provides protection against the death of an individual in the form of payment to a beneficiary – usually a family member, business or institution.

**Annuity:** a contract of insurance that pays a monthly (or quarterly, semiannual or annual) income benefit for the life of a person or persons.

**Industrial Insurance:** relates to modest amounts of coverage, usually less than \$1,000, sold on a debit basis.

**Credit Life:** a coverage which pays certain debt payments (usually car or home loans) in the event of the debtor's death.

**Fraternal Insurer:** an incorporated society, order or supreme lodge conducted solely for the benefit of its members and their beneficiaries and not for profit, operated on a lodge system with ritualistic form of work, having a representative form of government.

**Health Maintenance Organizations (HMOs):** insurers that provide or arrange for the provision of basic health care services to enrollees in return for a prepaid charge.

**Title Insurance:** insures or indemnifies owners of, or other persons lawfully interested in, immovable property against loss or damage arising from defects, liens or encumbrances on the insured title.

**Self-Insurance Plan:** any contract, plan, trust, arrangement or other agreement which is established or maintained to offer or provide health care services, indemnification, or payment for health care services, or health and accident benefits to employees of two or more employers, but which is not fully insured. An arrangement shall be deemed "fully insured" only if said benefits are guaranteed under a policy of health insurance issued by an insurer authorized to transact business in Louisiana.

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# **APPENDIX B**

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## **PROPERTY & CASUALTY INSURANCE**

# PROPERTY & CASUALTY INSURERS EXHIBIT OF PREMIUMS & LOSSES BUSINESS IN LOUISIANA DURING CALENDAR YEAR 2003

	Line of Business	Direct Premium Written	Direct Premium Earned	Dividends Paid On Direct Business	Direct Unearned Premium Reserve (Deducting Salvage)	Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Direct Defense and Cost Containment Expense Paid	Direct Defense and Cost Containment Expense Incurred	Direct Defense and Cost Containment Expense Incurred	Commissions and Brokerage Expenses	Taxes, Licenses and Fees
01	Fire	174,996,281	170,142,951	72,054	75,505,265	66,777,036	66,003,269	41,157,474	1,267,687	1,716,209	2,534,809	22,074,561	5,009,421
02.1	Allied Lines	157,052,934	141,067,864	102,578	63,256,110	58,858,421	34,388,159	37,112,724	2,534,387	2,627,706	2,700,172	20,106,085	3,534,545
02.2	Multiple Peril Crop	26,535,511	26,568,981	-	87,872	31,393,074	13,340,571	6,812,374	337,902	352,258	16,267	1,124,493	33,648
02.3	Federal Flood	145,543,882	144,374,659	-	73,180,340	36,044,130	18,472,845	2,661,123	1,236,953	1,131,502	60,858	21,517,496	3,010,612
03	Farmowners Multiple Peril	7,206,600	6,975,042	-	3,347,914	4,475,373	4,557,792	2,936,302	194,281	95,434	472,272	1,117,043	300,616
04	Homeowners Multiple Peril	882,900,280	822,391,155	1,730,791	452,923,420	403,201,849	355,086,520	156,740,342	15,954,124	15,678,855	25,604,931	104,923,921	32,592,117
05.1	Commercial Multiple Peril (Non-Liability)	223,768,921	223,745,795	30,184	98,416,624	115,331,554	78,589,139	92,565,888	8,716,092	11,858,822	18,178,192	33,721,293	13,722,087
05.2	Commercial Multiple Peril (Liability)	143,100,079	141,369,421	10,004	64,330,026	71,112,553	100,125,202	277,791,889	28,530,288	39,079,892	92,925,826	24,663,579	4,518,633
06	Mortgage Guaranty	51,319,173	51,116,397	-	3,641,611	13,976,314	23,185,937	65,198,034	131,271	435,812	813,256	77,109	3,184,384
08	Ocean Marine	196,805,807	175,482,240	21,590	85,536,542	77,081,943	220,548,755	358,611,092	10,196,461	15,640,591	20,389,386	33,591,431	4,710,035
09	Inland Marine	215,022,321	210,442,455	121,106	80,135,303	85,090,932	102,410,552	69,529,680	3,425,933	4,134,163	3,770,733	47,964,550	5,937,485
10	Financial Guaranty	21,164,419	13,804,755	-	114,525,547	-	2,699	2,899	82,041	82,041	-	-	1,304,092
11	Medical Malpractice	111,563,263	107,402,644	41,394	40,555,219	28,256,097	63,715,646	232,555,496	31,665,419	34,961,274	113,213,265	5,020,574	2,059,869
12	Earthquake	4,074,910	3,778,489	3,018	1,621,468	102,257	290,322	754,411	1,862	(942)	17,778	406,264	122,979
13	Group Accident and Health	47,766,752	48,089,934	-	1,296,163	44,281,270	42,203,569	35,897,765	1,830,984	1,794,062	248,867	4,382,050	1,112,236
14	Credit Accident and Health	13,033,650	13,220,451	-	1,358,051	1,984,585	1,757,667	1,903,841	193	2,525	14,337	3,796,320	335,009
15.1	Collectively Renewable Accident & Health	4,399	4,625	-	36,368	-	(178)	2,109	-	-	-	19	172
15.2	Non-Cancelable Accident and Health	5,874	12,972	-	106,316	60,724	69,313	9,216	-	5,631	5,631	-	-
15.3	Guaranteed Renewable Accident & Health	12,237,428	9,552,486	-	12,833,793	5,310,645	7,648,793	8,589,248	10,121	35,137	107,133	1,797,664	254,164
15.4	Non-Renewable Accident and Health	7,892,922	7,903,320	797	2,702,835	7,831,525	7,287,964	5,073,847	130,267	121,671	81,135	715,281	153,716
15.5	Other Accident Only	281,028	275,257	-	91,738	347,908	368,351	568,088	6,122	(6,030)	3,944	108,780	4,508
15.6	All Other Accident and Health	2,841,977	2,837,589	-	351,084	6,026,623	4,647,377	5,701,519	1,263,764	1,366,786	563,809	466,002	35,567
15.7	Federal Employees Health Benefits Program	-	-	-	-	-	-	-	-	-	-	-	-
16	Workers' Compensation	601,339,134	590,905,340	1,392,420	165,995,990	325,964,556	379,797,914	1,595,828,251	29,871,748	38,105,233	122,317,046	43,563,590	41,747,018
17	Other Liability	600,411,282	564,122,112	218,194	259,703,724	261,731,016	458,175,641	1,436,608,030	97,681,275	94,331,948	387,637,202	91,211,417	13,153,292
18	Products Liability	43,151,322	39,454,064	1,999	17,340,511	22,320,936	68,798,999	364,150,801	11,321,824	31,726,422	109,322,339	5,875,315	804,635
19.1	Private Passenger Auto No-Fault	(13,682)	(13,741)	-	35	513,000	134,877	2,352,526	22,270	510	107,322	(3,999)	(262,593)
19.2	Private Passenger Auto Liability	1,687,628,798	1,642,681,347	3,901,878	453,925,704	1,125,769,540	1,178,898,547	1,047,561,434	96,294,944	114,600,277	217,810,700	129,246,182	53,298,716
19.3	Commercial Auto No-Fault	(7,455)	81,740	-	1,234	418,562	2,913,666	3,767,983	18,174	36,705	48,506	156,213	(63,917)
19.4	Commercial Auto Liability	428,860,241	416,150,251	40,888	177,922,081	288,157,299	376,914,733	605,707,138	37,488,111	43,224,528	68,004,591	62,218,278	13,021,673
21.1	Private Passenger Auto Physical Damage	1,125,796,109	1,110,163,418	2,848,787	311,574,428	656,355,149	652,604,947	56,867,601	5,539,189	6,306,397	4,822,183	88,719,224	35,884,643
21.2	Commercial Auto Physical Damage	108,089,643	112,048,193	23,456	45,767,807	47,953,479	44,045,026	15,039,962	2,169,477	2,689,632	1,939,757	16,405,337	3,173,854
22	Aircraft (All Perils)	36,659,787	35,990,123	-	11,772,951	14,161,629	21,499,627	31,978,015	1,451,638	2,417,776	4,672,953	2,634,680	994,258
23	Fidelity	10,154,003	9,730,499	45	6,332,647	2,408,165	1,852,223	6,468,744	270,768	484,725	781,186	1,234,469	381,627
24	Surety	54,536,377	50,540,058	3,306	25,304,111	30,166,182	23,585,974	21,862,473	5,944,994	3,689,044	1,913,106	12,432,680	1,417,869
26	Burglary and Theft	1,220,357	1,270,142	66	595,981	155,384	16,136	378,188	3,039	7,298	37,332	181,573	90,829
27	Boiler and Machinery	18,121,697	16,831,085	48	8,145,173	2,232,315	2,162,893	3,187,365	96,865	76,079	155,593	1,589,970	75,460
28	Credit	5,318,670	4,594,320	-	2,299,726	1,015,416	887,343	479,346	2,924	(7,475)	10,091	1,889,696	126,334
33	Aggregate Write-Ins, Other Lines of Business	86,139,114	86,125,275	2,868	42,629,482	42,917,059	64,170,936	161,996,648	2,319,150	3,891,450	11,611,999	12,917,449	2,255,487
34	Totals	7,252,523,825	7,001,413,688	10,567,471	2,704,650,903	3,879,784,497	4,421,159,748	6,756,409,854	398,032,537	472,693,926	1,212,914,493	797,846,599	248,676,666

Caution: This page is unaudited and may contain inadvertent errors.  
Data Source: Property & Casualty Annual Statement Page 26 (State Page) for all companies writing business in Louisiana.

# APPENDIX C

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## LIFE, ACCIDENT & HEALTH INSURANCE

LIFE INSURERS EXHIBIT OF PREMIUMS AND BENEFITS  
BUSINESS IN LOUISIANA DURING CALENDAR YEAR 2003

<b>Life Insurance</b>						
<b>Direct Premiums and Annuity Considerations</b>				<b>Credit Life</b>	<b>Group</b>	<b>Industrial</b>
		<b>Ordinary</b>				<b>Total</b>
1.	Life Insurance	1,326,384,874		49,926,245	303,505,009	20,081,125
2.	Annuity Considerations	1,719,203,895		-	752,342,520	-
3.	Deposit-Type Contract Funds	27,778,513			215,792,070	
4.	Other Considerations	389,676,340		-	268,565,153	-
5.	<b>Totals</b>	<b>3,463,043,622</b>		<b>49,926,245</b>	<b>1,540,204,751</b>	<b>20,081,125</b>
<b>Direct Dividends to Policyholders</b>						
<b>Life Insurance</b>						
6.1	Paid in Cash or Left on Deposit	32,656,808		58,499	955,747	7,808
6.2	Applied to Pay Renewal Premiums	24,842,153		-	2,189,305	13
6.3	Applied to Provide Paid-Up Additions or Shorten the Endowment or Premium-Paying Agent	129,724,788		-	756,240	1,251,157
6.4	Other	42,937		-	-	-
6.5	<b>Total Life</b>	<b>187,266,687</b>		<b>58,499</b>	<b>3,901,292</b>	<b>1,258,978</b>
<b>Annuities</b>						
7.1	Paid in Cash or Left on Deposit	6,879,998		-	(11,296)	-
7.2	Applies to Provide Paid-Up Annuities	668,643		-	758	-
7.3	Other	15,664,336		-	807,799	-
7.4	<b>Total Annuities</b>	<b>23,212,976</b>		<b>-</b>	<b>797,261</b>	<b>-</b>
8.	<b>Grand Totals</b>	<b>210,479,664</b>		<b>58,499</b>	<b>4,698,554</b>	<b>1,258,978</b>
<b>Direct Claims and Benefits Paid</b>						
9.	Death Benefits	586,962,383		17,871,943	265,890,805	17,331,956
10.	Matured Endowments	3,524,297		-	16,365	1,260,380
11.	Annuity Benefits	344,498,095		-	240,120,880	-
12.	Surrender Values and Withdrawals for Life Contracts	1,236,500,872		-	478,336,871	2,897,523
13.	Aggregate Write-Ins for Miscellaneous Direct Claims and Benefits Paid	1,726,717		-	139,875	2,635
14.	All Other Benefits, Except Accident and Health	11,600,320		657,544	56,607,303	101,335
15.	<b>Totals</b>	<b>2,184,812,679</b>		<b>18,529,487</b>	<b>1,041,112,107</b>	<b>21,593,829</b>
						<b>3,266,048,096</b>

Caution: This page is unaudited and may contain inadvertent errors.  
Data Source: Life Annual Statement Page 30 (State Page) & Health Annual Statement page 35 (State Page) for all companies writing business in Louisiana.

**LIFE INSURERS EXHIBIT OF PREMIUMS AND BENEFITS  
BUSINESS IN LOUISIANA DURING CALENDAR YEAR 2003**

**Life Insurance**

Direct Death Benefits and Matured Endowments Incurred		Ordinary		Credit Life		Group		Industrial		Total	
		No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
16.	Unpaid December 31, Prior Year	4,532	87,792,858	482	3,177,128	1,623	21,091,849	3,303	5,245,586	9,940	117,307,421
17.	Incurred During Current Year	39,252	618,314,867	3,794	19,745,432	13,277	276,105,512	33,219	20,029,417	89,542	934,195,229
<b>Settled During Current Year</b>											
18.1	By Payment in Full	38,916	587,277,033	3,778	19,178,492	12,866	266,707,730	33,192	19,939,570	88,752	893,102,827
18.2	By Payment on Compromised Claims	40	1,326,576	-	-	21	355,699	-	2,000	61	1,684,275
18.3	<b>Totals Paid</b>	<b>38,956</b>	<b>588,603,608</b>	<b>3,778</b>	<b>19,178,492</b>	<b>12,887</b>	<b>267,063,429</b>	<b>33,192</b>	<b>19,941,570</b>	<b>88,813</b>	<b>894,787,102</b>
18.4	Reduction by Compromise	13	735,066	-	-	11	375,791	-	-	24	1,110,857
18.5	Amount Rejected	101	3,899,893	13	750,119	30	717,000	-	-	144	5,367,012
18.6	<b>Total Settlements</b>	<b>39,070</b>	<b>593,238,568</b>	<b>3,791</b>	<b>19,928,611</b>	<b>12,928</b>	<b>268,156,220</b>	<b>33,192</b>	<b>19,941,570</b>	<b>88,981</b>	<b>901,264,971</b>
19.	Unpaid December 31, Current Year	4,714	112,869,158	485	2,993,949	1,972	29,041,141	3,330	5,333,432	10,501	150,237,678
<b>Policy Exhibit</b>											
20.	In Force December 31, Prior Year	2,965,194	157,328,522,786	1,008,311	4,364,200,545	65,492	85,978,455,966	1,778,583	1,084,875,520	5,817,579	248,756,054,816
21.	Issued During Year	327,670	22,748,096,677	623,954	3,242,006,265	19,773	8,176,670,079	675	1,925,683	972,072	34,168,698,705
22.	Other Changes to In-Force (Net)	(320,702)	(14,980,686,382)	(708,255)	(3,774,741,381)	(18,577)	(10,044,421,949)	(76,067)	(37,987,498)	(1,123,602)	(28,837,837,210)
23.	In Force December 31, Current Year	2,972,162	165,095,933,082	924,010	3,831,465,429	66,687	84,110,704,094	1,703,191	1,048,813,705	5,666,048	254,086,916,311

**Accident and Health Insurance**

		Direct Premiums	Direct Premium Earned	Dividends on Direct Business	Direct Losses Paid	Direct Losses Incurred
24.	Group Policies	1,358,898,137	1,353,478,166	547,295	1,069,900,895	1,102,496,070
24.1	Federal Employees Health Benefits Program	225,869,050	225,500,111	-	207,593,873	209,651,858
24.2	Credit (Group and Individual)	41,044,599	47,350,976	-	9,016,625	19,264,461
24.3	Collectively Renewable Policies	2,392,260	2,207,359	-	2,252,687	1,838,587
Other Individual Policies						
25.1	Non-cancellable	59,008,040	60,648,981	711,046	53,300,885	59,215,645
25.2	Guaranteed renewable	338,537,322	337,366,603	22,491	183,280,124	201,134,678
25.3	Non-renewable for stated reasons only	31,446,137	30,307,743	14,602	18,980,154	17,084,292
25.4	Other Accident only	4,769,656	4,616,565	-	2,306,857	3,142,431
25.5	All other	271,385,633	269,343,879	150	203,378,772	208,062,210
25.6	<b>Totals</b>	<b>705,146,785</b>	<b>702,283,765</b>	<b>748,289</b>	<b>461,246,795</b>	<b>488,639,253</b>
26.	<b>Total</b>	<b>2,333,350,834</b>	<b>2,330,820,375</b>	<b>1,295,584</b>	<b>1,760,010,872</b>	<b>1,821,890,233</b>

Caution: This page is unaudited and may contain inadvertent errors.  
Data Source: Life Annual Statement Page 30 (State Page) & Health Annual Statement page 35 (State Page) for all companies writing business in Louisiana.

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# APPENDIX D

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## GROUP SELF- INSURANCE FUNDS

STATE OF LOUISIANA  
GROUP SELF-INSURANCE PREMIUM WRITTEN  
BUSINESS WRITTEN DURING CALENDAR YEAR 2003

Fund Name	Premium Written
Louisiana United Business Association SIF <sup>(e)</sup>	\$ 44,998,330
Louisiana Commerce & Trade Association SIF <sup>(e)</sup>	37,147,933
Louisiana Homebuilders Association SIF <sup>(a)</sup>	20,392,451
Louisiana Restaurant Association SIF <sup>(e)</sup>	19,207,884
Louisiana Safety Association of Timberman SIF <sup>(e)</sup>	10,830,817
Employers' Self-Insurers Fund <sup>(c)</sup>	8,454,472
Louisiana Automobile Dealers Association SIF <sup>(e)</sup>	8,269,582
Louisiana Health Care Self Insurance Fund <sup>(e)</sup>	7,500,000
Police Jury Association of Louisiana <sup>(e)</sup>	5,564,081
LAC Self-Insured Fund (Cotton) <sup>(e)</sup>	5,279,312
Louisiana Municipal Risk Management Agency <sup>(e)</sup>	4,831,840
Louisiana Hospital Association Workers' Compensation SIF <sup>(e)</sup>	4,520,891
Louisiana Rural Parish Insurance Cooperative <sup>(e)</sup>	2,543,674
Louisiana Loggers Self-Insured Fund <sup>(e)</sup>	2,445,969
Sugar Cane Safety Group SIF <sup>(a)</sup>	1,527,008
Louisiana Housing Council Authorities Group SIF <sup>(d)</sup>	315,394
Louisiana Association of Clerks of Court Risk Mgt Agency <sup>(b)</sup>	302,919
<b>Total</b>	<b>\$184,132,557</b>

Caution: The information contained on this page is unaudited and not a complete financial analysis or an expression of opinion on any insurer. This page may contain inadvertent errors.

Data Source: Audited Financial Statements for all Group Self-Insurance Funds writing workers' compensation business in Louisiana.

- (a) As of March 31, 2004
- (b) As of June 30, 2003
- (c) As of July 31, 2003
- (d) As of September 30, 2003
- (e) As of December 31, 2003

# APPENDIX E

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## HEALTH MAINTENANCE ORGANIZATIONS

**HEALTH MAINTENANCE ORGANIZATIONS EXHIBIT OF PREMIUMS & LOSSES  
BUSINESS IN LOUISIANA AS OF DECEMBER 31, 2003 (CALENDAR YEAR)**

NAIC#	Company Name	Total Members	Direct Premium Written	Market Share	Cumulative Market Share	Direct Premium Earned	Direct Losses Incurred	Loss Ratio
95642	Humana Health Benefit Plan of Louisiana, Inc.	191,138	697,298,659	41.36%	41.36%	697,827,888	620,872,946	88.97%
95643	HMO of Louisiana, Inc.	103,391	250,768,978	14.88%	56.24%	250,888,203	186,329,130	74.27%
95690	Tenet Choices, Inc.	34,910	245,943,076	14.59%	70.83%	242,254,683	205,795,823	84.95%
95833	United HealthCare of Louisiana, Inc.	60,280	215,334,407	12.77%	83.60%	218,465,042	176,505,767	80.79%
95173	Coventry Health Care of Louisiana, Inc.	71,456	186,388,266	11.06%	94.66%	190,165,578	159,933,297	84.10%
95009	Health Plus of Louisiana, Inc.	19,807	51,433,651	3.05%	97.71%	51,736,313	43,820,203	84.70%
95584	Vantage Health Plan, Inc.	15,079	38,902,086	2.31%	100.02%	39,424,686	33,186,938	84.18%
95002	Aetna Health, Inc./ A Louisiana Corporation	-	(344,066)	-0.02%	100.00%	(357,688)	(1,463,533)	409.16%
<b>Totals</b>		<b>496,061</b>	<b>1,685,725,057</b>	<b>100%</b>		<b>1,690,404,705</b>	<b>1,424,980,571</b>	<b>84.30%</b>

Caution: The information contained on this page is unaudited and not a complete financial analysis nor is it an expression of opinion on any insurer. This page may contain inadvertent errors.  
Data Source: Health Annual Statement, Exhibit of Premiums, Enrollment and Utilization (by state), for all companies writing business in Louisiana.

# APPENDIX F

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## TITLE INSURANCE

**TITLE INSURANCE EXHIBIT OF PREMIUMS & LOSSES**  
**BUSINESS IN LOUISIANA AS OF DECEMBER 31, 2003 (CALENDAR YEAR)**

NAIC#	Company Name	Domicile	DIRECT PREMIUM WRITTEN			Other Income	Direct Premium Earned	Direct Losses Paid	Direct Losses Incurred	Direct Losses Unpaid
			Direct Operations	Non-Affiliated Agencies	Affiliated Agencies					
50229	Chicago Title Insurance Co.	MO	239,243	4,932,119	1,855,401	137,856	6,938,759	793,228	733,176	137,537
50083	Commonwealth Land Title Insurance Co.	PA	-	19,413,299	-	7,932	18,903,081	829,156	755,853	623,556
51586	Fidelity National Title Insurance Co.	CA	-	1,619	-	-	19,465	4,422	-3,853	12,858
51071	Fidelity National Title Insurance Co./New York	NY	100,869	4,487,228	23,829	-	4,503,125	72,581	94,042	150,718
50814	First American Title Insurance Co.	CA	586,116	39,755,196	-	973,201	39,205,239	6,227,441	3,725,711	450,554
51527	First American Transportation Title	LA	42,919	7,742	-	266	50,661	-	-	-
50369	Investors Title Insurance Co.	NC	-	2,786	-	-	2,510	-	-	-
50024	Lawyers Title Insurance Corp.	VA	965,031	4,770,346	-	1,356,648	5,583,659	321,981	260,436	445,568
51101	Nations Title Insurance of New York, Inc.	NY	-	-	-	-	-	23,654	16,582	-
50520	Old Republic National Title Insurance Co.	MN	62,308	1,633,380	-	150,980	1,596,010	56,210	107,272	175,382
50784	Security Title Guarantee Corp./Baltimore	MD	-	2,617,096	-	18,775	2,560,245	153,397	270,183	53,796
50857	Security Union Title Insurance Co.	CA	-	22,156	-	-	27,707	26,675	-54,433	42,843
50121	Stewart Title Guaranty Co.	TX	515,422	6,521,384	1,641,172	114,305	8,320,655	9,574	14,046	69,824
50067	Ticor Title Insurance Co.	CA	-	93,073	-	-	143,003	27,592	20,242	14,917
51535	Ticor Title Insurance Co. of Florida	FL	-	1,665,104	-	-	1,536,941	22,892	208,344	199,787
50245	Title Insurance Co. of America	TN	-	-	-	-	6,513	-	-	-
51624	United General Title Insurance Co.	CO	-	1,670,175	-	-	1,616,042	71,178	113,388	111,711
<b>Totals</b>			<b>2,511,908</b>	<b>87,592,703</b>	<b>3,520,402</b>	<b>2,759,963</b>	<b>91,013,615</b>	<b>8,639,981</b>	<b>6,260,989</b>	<b>2,489,051</b>

Caution: The information contained on this page is unaudited and not a complete financial analysis nor is it an expression of opinion on any insurer. This page may contain inadvertent errors.  
Data Source: Title Annual Statement, Schedule T for all companies writing business in Louisiana.

# APPENDIX G

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## FRATERNAL INSURANCE

**FRATERNAL INSURERS EXHIBIT OF PREMIUMS & ANNUITY CONSIDERATIONS  
BUSINESS IN LOUISIANA AS OF DECEMBER 31, 2003 (CALENDAR YEAR)**

NAIC#	Company Name	Domicile	DIRECT BUSINESS ONLY				
			LIFE CONTRACTS		Accident & Health Premiums	Deposit-Type Contract Funds	Other Considerations
			Life Insurance Premiums	Annuity Considerations			
56006	Travelers Protective Assoc. of America	MO	-	-	5,339	-	-
56014	Thrivent Financial for Lutherans	WI	3,231,987	6,617,445	756,956	227,000	-
56017	Benevolent Knights of America Louisiana, Inc.	LA	3,582	-	-	-	-
56022	Catholic Family Life Insurance	WI	2,573	-	-	-	-
56057	Equitable Reserve Assoc.	WI	1,918	12,665	-	-	-
56073	National Mutual Benefit	WI	897	-	-	188	-
56154	Gleaner Life Insurance Society	MI	2,700	-	-	58	-
56170	Woman's Life Insurance Society	MI	8,786	585	-	462	-
56383	Order of the United Commercial Travelers of America	OH	56,119	4,000	237,049	-	-
56413	United Transportation Union Insurance Assoc.	OH	126,964	26,999	74,455	30,664	-
56421	Catholic Knights of America	MO	88,923	43,397	1,879	64	-
56456	United States Letter Carriers Mutual Benefit	TN	57,071	45,978	70,726	-	-
56499	Woodmen World Assurance Life Assoc.	CO	17,756	10,739	171	-	-
56529	ACA Assurance	NH	95,637	-	99	1,074	-
56685	Greater Beneficial Union Pittsburgh	PA	1,123	-	-	-	-
56758	Loyal Christian Benefit Assoc.	PA	1,449	-	-	-	-
57010	William Penn Assoc.	PA	681	108,305	-	85	-
57142	Sons of Norway	MN	4,255	1,266	-	-	-
57223	Baptist Life Assoc.	NY	5,076	-	-	-	-
57320	Woodmen World Life Insurance Society	NE	22,451,228	13,714,756	360,791	6,492,630	-
57347	Catholic Life Insurance	TX	218,770	607,925	-	879	-
57487	Catholic Order of Foresters	IL	25,009	240,688	4,666	3,067	-
57541	Modern Woodmen of America	IL	4,684,281	5,897,917	210	35	-
57568	National Catholic Society of Foresters	IL	156	-	-	-	-
57622	Polish National Alliance US of North America	IL	4,204	-	-	-	-
57770	Holy Family Society of The USA	IL	220,022	-	-	-	-
57835	Knights of Peter Claver	AL	465,025	-	-	-	-
57991	Mennonite Mutual Aid Assoc.	IN	699	-	5,867	-	-
58009	Police & Firemen's Insurance Assoc.	IN	399,595	276,013	895,992	2,085	-
58017	Western Fraternal Life Assoc.	IA	25,186	350	-	1,424	-
58033	Knights of Columbus	CT	11,898,019	-	350,024	6,602,376	-
58068	Independent Order of Foresters US Brotherhood	NY	836,397	14,658	5,598	263,055	-
Totals			44,936,088	27,623,686	2,769,822	13,625,146	-

Caution: The information contained on this page is unaudited and not a complete financial analysis nor is it an expression of opinion on any insurer. This page may contain inadvertent errors.  
Data Source: Fraternal Annual Statement, Schedule T for all companies writing business in Louisiana.





2003-2004 ANNUAL REPORT  
OF THE  
LOUISIANA DEPARTMENT OF INSURANCE